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ABSTRACT

This document presents the record of a hearing on the reauthorization of the Demonstration Partnership Program (DPP), part of the Community Services Block Grant Act. The program offers community action agencies the opportunity to test new methods for reducing dependency and fostering self-sufficiency among the poor. Six agency representatives testified in support of the program and described the following programs funded under the legislation: (1) Lincoln (Nebraska) Action Program, testing whether families needing emergency food are at high risk for becoming homeless, and whether case management will be effective in preventing homelessness and addressing families' poverty and dependency; (2) Vermont DPP, testing a partnership between a state small business loan program and five community action agencies' small business technical assistance program; (3) Allegheny County Training Consortium (ATCC)/ACCORD Corporation, testing a small business development program; (4) Central Vermont Community Action Council, testing a technical assistance program for new small businesses; (5) ABCD Downtown Center for Jobs, Education, and Career Training (Boston), testing a long-term individualized job training program; and (6) Career and Current Life United in Boston (CLUB), testing counseling and mentoring services. Statistical data are included on four tables and one graph. Nine prepared statements, letters, and supplemental materials are appended. (FMW)

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REAUTHORIZATION OF DEMONSTRATION PARTNERSHIP AGREEMENTS ADDRESSING THE NEEDS OF THE POOR

HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, MARCH 3, 1989

Serial No. 100-6

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REAUTHORIZATION OF DEMONSTRATION PARTNERSHIP AGREEMENTS ADDRESSING THE NEEDS OF THE POOR

FRIDAY, MARCH 3, 1989

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HUMAN RESOURCES,
COMMITTEE ON EDUCATION AND LABOR,
Washington, DC.

The subcommittee met, pursuant to call, at 10 a.m., in room 2257, Rayburn House Office Building, Hon. Dale E. Kildee (chairman of the subcommittee) presiding.

Members present: Representatives Kildee, Tauke, and Unsoeld.

Staff present: Susan Wilhelm, staff director; Tom Kelley, legislative associate; Margaret Kajeckas, clerk/legislative assistant; Carol Behrer, minority professional staff member; Nita Orr, legislative assistant; Steve Ball, legislative assistant.

Mr. KILDEE. We meet to discuss the reauthorization of the Demonstration Partnership Program which is part of the Community Services Block Grant Act. This grant program is distinguished from all others in that it has a specific mandate to provide a range of services and activities having a measurable, potentially major impact on the causes of poverty.

The Demonstration Partnership Program offers community action agencies the opportunity to test new methods for reducing dependency and fostering self-sufficiency without having to take funds from other services.

This is our first opportunity to hear from those directly involved in creating and administering some exciting, new programs. We look forward to hearing from all our witnesses today.

The administration declined to appear at this time, but there will be testimony submitted for the record.

Before we proceed, I would like to recognize our ranking Republican Member of the subcommittee, one who has worked very hard with me. We have traveled together looking at programs under this authorization. There are some good ones in Iowa, by the way.

Mr. Tom Tauke from Iowa.

Mr. TAUKE. Thank you, Mr. Chairman.

We in Iowa are licking our wounds a little bit as a result of last night's basketball game with one of the teams from your state. Nevertheless, I appreciate the opportunity to begin work with you on successful programs such as the Community Services Block Grant and the Demonstration Partnership Program.

I would like to think that in 1986, when we first authorized this demonstration project, we did so with great foresight.

We always have great foresight when we do these things, but in this case with the foresight that welfare reform was just two years down the road. I am optimistic that projects being developed under the Demonstration Partnership Program to discover and implement ways to move people from dependency to self-sufficiency will be useful when implementing the Family Reform Act of 1988, the welfare reform measure, because that measure has the same goals.

I have stressed that the role of the Federal Government should be to empower individuals and families to help themselves, not to treat individuals and families as victims for whom we have to make decisions and for whom we have to solve problems.

We want to give individuals the opportunity and the wherewithall to be able to make decisions in their own lives and to have some control over the resolution of their own problems.

The research and demonstration projects we will hear about this morning, and the other projects funded under the Demonstration Partnership Program, are good examples of government programs that achieve the goal of helping people help themselves, which achieve the goal of giving individuals greater dignity.

I look forward to this morning's testimony and to working with the Chairman to reauthorize the Demonstration Partnership Program.

Thank you, Mr. Chairman.

Mr. KILDEE. Mrs. Unsoeld, do you have any opening remarks?

Mrs. UNSOELD. Thank you, Mr. Chairman, and Members of the committee, and people who have come here because they are interested and concerned about this project and issues. I want to apologize.

I have to catch a plane this morning. I am so pleased that there is all this written testimony because I will take it on the plane and be reading it shortly after you are giving it.

But I welcome this opportunity to work with all of you and to learn more about these issues.

Thank you, Mr. Chairman.

Mr. KILDEE. Thank you.

Friday is usually a bad day for hearings because of Members' schedules. If we don't have working sessions on the Floor Members can catch planes earlier.

The reason we are having this on a Friday is because I am serving on the Budget Committee this year. I didn't realize how many cabinet officials we have until serving on the Budget Committee.

We make each one march before us. We had a delightful visit yesterday with our former colleague Jack Kemp, the new Secretary of HUD.

We kept him there for two and one-half hours. I think he enjoyed it as much as we did. But Friday is a difficult time.

Glenn Poshard from Illinois, while not here this morning, has a member of his staff here to hear the testimony, and we appreciate that.

So, at this point we will call our panel up here.

The panel consists of Beatty Brasch, Executive Director, Lincoln Action, Lincoln, Nebraska; Michael A. Kinney, Assistant Treasurer

and Loan Officer, Passumpsic Savings Bank, St. Johnsbury, Vermont; Joan Sinclair, Commissioner, Allegheny County, Department of Social Services, Belmont, New York; Professor Andrew Sum, Director, Center for Labor Market Studies, Northeastern University, Boston, Massachusetts; Jay Ostrower, ABCD Downtown Center for Jobs, Education, and Career Training, Boston, Massachusetts.

During the question and answer period, if you have people with you who might be able to answer a specific question in greater depth, you may defer to those people at that point. You may proceed in the order I called you unless you have arranged some other order among yourselves.

Your entire written testimony will be included in the record.

We would appreciate it if you could summarize. But you may proceed in any fashion you wish.

STATEMENT OF BEATTY BRASCH, EXECUTIVE DIRECTOR, LINCOLN ACTION, LINCOLN, NE

Ms. BRASCH. Mr. Chairman, and Congressmen Tauke, on behalf of the witnesses about to testify, I would like to give a special thanks to you and Congressman Tauke for your support and your leadership in establishing this program. It is very much appreciated.

I am here today to speak in support of the reauthorization of the Demonstration Partnership Program. I am representing Lincoln Action Program, a current program grantee.

I would like to explain for you what our project is demonstrating, how it can affect poverty in our community and be replicated elsewhere, and why it took a special Demonstration Partnership Program to create such a project.

Lincoln Action Program's project is testing whether families needing emergency food are at high risk for becoming homeless.

Further, we are testing whether case management will be effective in preventing homelessness and addressing families' poverty and dependency.

In Lincoln, there has been a 21-percent increase in requests for emergency food since 1987 and a gradual, alarming increase throughout this decade. Lincoln Action Program and other local agencies have provided food to keep up with need.

But, local agencies have not adequately designed new approaches that go beyond a hand out. Agencies have needed to identify and respond to multiple needs in distressed families.

The community action agency is in the best position to create and coordinate such a comprehensive intervention effort. Community action agencies have, historically, been the catalysts in bringing about new programs and services to meet needs.

Other local agencies providing emergency food could not have created the broader intervention we have undertaken with a Demonstration Partnership Program grant. The other agencies provide single-need services that don't include family-oriented case management.

Lincoln Action Program is the only local agency looking at the big picture of low-income needs. The welfare department provides entitlement, cash assistance and subsidy programs, but concerns

itself with family needs only as required and regulated by their respective programs.

Local nonprofits can provide short-term crisis intervention or longer-term counseling to address particular needs, but they generally are not geared to address a family's overall economic self-sufficiency.

Community action agencies are unique in their ability to bring public and private resources to bear on low-income problems. Community action boards are tri-part: Made up of public and private sectors and low-income people themselves. By using community action agencies for poverty demonstrations, you already have plugged in public, private and low-income participants.

While we have found the private sector to be reluctant to fund "untested" ideas, we have seen them anxious to take ownership of programs that have documented success. The privates need concrete ideas.

The Demonstration Partnership Program lets the community action agency create and test a concept and bring in other local participants along the way. While community action agencies operate with federal sanctioning and money, they are very much grassroots organizations that know local needs and have the flexibility to design programs to respond to needs.

What community action agencies didn't have until 1986 was a way to test and evaluate new approaches to poverty. The Demonstration Partnership Program created a way for some community action agencies to be the laboratories for all others.

Out of regular Community Services Block Grant funds, we at Lincoln Action Program would not have been able to pay for and carry out a system for program evaluation. The evaluation under this grant will allow us to measure the degree to which outreach and intervention has helped people toward self-sufficiency.

[The prepared statement of Beatty Brasch follows:]

FEB 28 '89 17:09 LANDERGUARD INC. P.01

Lincoln Action Program, Inc.
2202 S 11th Street
Lincoln, NE 68502
(402) 471-4515

TESTIMONY
REGARDING REAUTHORIZATION
OF THE DEMONSTRATION PARTNERSHIP PROGRAM

SUBMITTED BY
BEATTY BRASCH, LINCOLN ACTION PROGRAM
LINCOLN, NEBRASKA

TO THE
SUBCOMMITTEE ON HUMAN RESOURCES
COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC

MARCH 3, 1989

I'm here today to speak in support of reauthorization of the Demonstration Partnership Program. I am representing Lincoln Action Program, a current program grantee. I'd like to explain for you what our project is demonstrating, how it can affect poverty in our community and be replicated elsewhere, and why it took a special Demonstration Partnership Program to create such a project.

Lincoln Action Program's project is testing whether families needing emergency food are at high risk for becoming homeless. Further, we are testing whether case management will be effective in preventing homelessness and addressing families' poverty and dependency.

In Lincoln, there has been a 21 percent increase in requests for emergency food since 1987 and a gradual, alarming increase throughout this decade. Lincoln Action Program and other local agencies have provided food to keep up with need. But, local agencies have not adequately designed new approaches that go beyond a hand out. Agencies have needed to identify and respond to multiple needs in distressed families.

The community action agency is in the best position to create and coordinate such a comprehensive intervention effort. Community action agencies have, historically, been the catalysts in bringing about new programs and services to meet needs.

Other local agencies providing emergency food could not have created the broader intervention we have undertaken with a Demonstration Partnership Program grant. The other agencies provide single-need services that don't include family-oriented case management. Lincoln Action Program is the only local agency looking at the "big picture" of low-income needs. The welfare department provides entitlement, cash assistance and subsidy programs, but concerns itself with family needs only as required and regulated by their respective programs. Local non-profits can provide short-term crisis intervention or longer-term counseling to address particular needs, but they generally are

-more-

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not geared to address a family's overall economic self-sufficiency.

Community action agencies are, therefore, unique in their ability to bring public and private resources to bear on low-income problems. Community action boards are tri-part: made up of public and private sectors and low-income people themselves. By using community action agencies for poverty demonstrations, you already have plugged in public, private and low-income participants. While we have found the private sector to be reluctant to fund "untested" ideas, we have seen them anxious to take ownership of programs that have documented success. The privates need concrete ideas. The Demonstration Partnership Program lets the community action agency create and test a concept and bring in other local participants along the way. While community action agencies operate with federal sanctioning and money, they are very much grassroots programs that know local needs and have the flexibility to design programs to respond to needs.

What community action agencies didn't have until 1986 was a way to test and evaluate new approaches to poverty. The Demonstration Partnership Program created a way for some community action agencies to be the laboratories for all others. Out of regular Community Service Block Grant funds, we at Lincoln Action Program would not have been able to pay for and carry out a system for program evaluation. The evaluation under this grant will allow us to quantitatively measure the degree to which outreach and intervention has helped people toward self-sufficiency. Lincoln Action Program traditionally gets about $275,000 in Community Service Block Grant funds each year. Those funds already are obligated to address increased demand for education, employment, housing and nutrition services. To do research and development, we needed the special dollars and technical assistance that was provided in our demonstration grant. Regular funding never would have paid for the third-party evaluation system and for the control group that will tell us if indeed our efforts are effective and worthy of replication elsewhere.

Working closely with us on our grant project, Demonstration Partnership Program staff were instrumental in developing objectives, and in defining and creating measurements of self-sufficiency. Demonstration Partnership Program career staff also have coordinated information sharing among funded programs, so that we can learn from each other even as we set up the demonstration projects. A workshop for program grantees conducted by Demonstration Partnership Program staff in November was a valuable opportunity for us to refine our evaluation plan. It also acquainted us with other new poverty programs being tested.

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Lincoln Action Program started program evaluation of clients only a couple months ago, so data I share from our project is quite preliminary. Data gathered so far, however, shows that one in four families requesting emergency food is, indeed, at high risk for homelessness. But nearly all of the families have needs that can be addressed by local services if they have advocacy and case management that ties them into services. One young woman client served by our agency likely would not have attended adult education classes if not for a compassionate case manager from our staff who not only identified the service need and made the linkage, but went with the client to the first night of class to help with the "butterflies."

Work done thus far on our grant suggests that case management can help people overcome joblessness. Among project clients, we have found that making a referral to job training is not always enough. Clients who have experienced long-term unemployment and many job disappointments need a push, sometimes a shove and always a caring person following up to provide ongoing assistance.

Beyond jobs, our self-sufficiency project has been able to address other problems that cause both poverty and dysfunction in families. One young mother to whom we gave food called our outreach worker several days after the intervention interview. She told him she had fibbed when he asked whether drugs or alcohol were a problem in her home. The client said she was abusing drugs and wanted to get straight. Our worker has referred her to substance abuse evaluation and our client now is beginning to address a problem that was contributing to her poverty. That probably would not have happened without our intervention.

Intevention to prevent homelessness is, if demonstrated successful and cost-efficient by our Demonstration Partnership Program grant, capable of being replicated by community action and other service agencies in all parts of the United States. The "family risk scale" and other program instruments deal with low-income and family needs, but aren't specific to any one geographic locality. Further, while our project is providing intervention only in families who request emergency food, the same type of client interview and follow-up intervention could be used in other client-need situations as well.

The Demonstration Partnership Program project has revitalized our agency and is providing a basis for future planning and direction. We are looking at traditional programs - including weatherization, landlord/tenant services, Head Start and others - to see whether family-intervention may help clients become more self-sufficient. New projects that we are proposing would incorporate the intervention model. One proposal is to

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help families who are in threat of eviction. Another would target families who have added an infant to an already stressed household. The agency is reviewing potential private funding sources to continue emergency-food intervention. The Demonstration Partnership Program is helping us plan and allocate Community Service Block Grant dollars. In summary, this program is important in determining our future course. We expect to learn if case management is an effective and cost-efficient way of helping low-income families. This demonstration project will answer that question for community action agencies nationwide, as well.

During the past 25 years, community action agencies have seen individuals succeed and our communities improve. Therefore, we do not subscribe to the "nothing works" philosophy on poverty. But in order to continue to be effective developers and coordinators of poverty-related services into the 1990s and beyond, community action agencies need a way to document, measure and evaluate the success of ideas and services. I support reauthorization of the Demonstration Partnership Program because it has given community action agencies a means to do research and development that can make us even more effective. Armed with better information on "what works," community action agencies can play a most important role in welfare reform by creating services that show the best chance for success in addressing poverty and dependence.

# # #

Mr. KILDEE. Thank you very much.
Mr. Kinney.

STATEMENT OF MICHAEL A. KINNEY, ASSISTANT TREASURER AND LOAN OFFICER, PASSUMPSIC SAVINGS BANK, ST. JOHNSBURY, VT

Mr. KINNEY. Mr. Chairman, Members of the subcommittee, thank you for inviting me to testify before the subcommittee today on the important issue of the reauthorization of the Demonstration Partnership Program. I have become a supporter of the Demonstration Partnership Program this past year through my involvement with the Vermont DPP project.

I have been a loan officer and assistant treasurer for over six years with a $150 million savings bank in Northeastern Vermont. I receive, process, review and approve applications for loans of all types, for instance, consumer mortgage and commercial. I am reasonably comfortable with the average needs of the people and businesses of my area.

Most of the loan requests that I receive are from households with an income range of between $12,000 and $30,000.

Northeastern Vermont has traditionally been a very rural economically distressed area with high unemployment and generational poverty. Today, unemployment is lower, but with a high percentage of clerical and service oriented jobs with wages being maintained at or near minimum wage.

Four of the area's largest employers are expanding at a slow pace while a fifth employer is closing its area plant and moving operations to Mexico. Another large area of employment is seasonal and fluctuates between ski resorts in the winter and recreation and tourism in the summer.

We do not have a high percentage of people in our area with technical skills to fill higher paying positions, so business expansion based on these better positions often does not occur. Yet people have the need to earn more. If this is not possible, sometimes there is a tendency to slip back into welfare programs.

My relationship with the DPP started when our bank was approached by a community action agency business development specialist and a low-income commercial loan applicant. We were extremely impressed with the applicant's fully developed business plan and the liaison between the loan applicant and the local representative of the Vermont DPP.

As I came to understand, the Vermont DPP is a partnership between the state job start low-income revolving small business loan and Vermont's five community action agencies small business technical assistance program.

I would like to enter for the record the attached description of the Vermont DPP and the preliminary state-wide results of the 1988 DPP activity.

I eventually became a member of the Job Start Regional Advisory Board for Northeastern Vermont. Each of the five regional boards consist of a local banker, two local business people and two low-income representatives.

At monthly meetings, we review the status of loans previously made and then review all applicants and the merits of their loan requests. Through the DPP, loan recipients have learned to maintain their own bookkeeping system and they report monthly on their status.

Every request is unique, an individual earning $630 monthly in May 1988 from disability, now has his own custom photography shop because of the DPP. His current income is $1,135 per month and growing, and he is now paying taxes, he came in with a loan request last Friday, by the way, for more money from me.

Another loan made in November 1988 was to a husband and a wife who were unemployed and now have their own successful janitorial service.

Our board made nine loans for $46,700 combined with $8,000 leveraged from sources during the DPP 1988 year, compared to three loans for $11,000 the previous year without DPP. These were clearly loans that banks would not have made because job start applicants are required to have a written loan rejection from a bank before they can appear before the job start boards.

Commercial loan policies in Northeastern Vermont have been and will continue to be conservative. Most commercial loans are with an established business and/or individuals with excess equity. Most commercial loans are normally, from $10,000 to $100,000 in size.

Most banks require a two-year work history for a commercial applicant within the same field. This makes it hard for an average individual to receive a business loan.

Therefore, it is even more impressive that with the DPP technical assistance, 14 additional job start eligible loan applicants were able to receive $131,700 in financing from non-job start sources including 10 direct bank loans for $71,700.

Three of these loans were from my bank. It is clear to me that without the DPP technical assistance none of these low-income businesses would have gotten a commercial loan.

The Vermont DPP demonstrated that a partnership between the public and private sector could work to give low-income persons an opportunity to become self-sufficient through small business ownership.

These small micro businesses, with fewer than 20 employees, make up the back bone of Northeastern Vermont and probably the whole country. They need technical assistance to succeed and to find financing.

I know of no other public or private agency offering this technical assistance to individuals or light industry of the type that requires funding for less than $10,000, especially for low-income entrepreneurs.

In Vermont, the DPP filled this niche. I believe a similar program could be successful in other rural states and in urban areas.

Mr. Chairman, in summary, I support the continuation of the Demonstration Partnership Program. The hopes of myself and my bank, are for these individuals, via this opportunity, to have the chance to be self-sufficient, to remove themselves from the welfare roles, to be paying taxes, and to be active with the local community and banks with their deposits and loans through sound financial

management, and economic stability and independent security. The Vermont Demonstration Partnership Program offered these individuals that chance.

Mr. KILDEE. Thank you, Mr. Kinney.

Without objection the additional material you mentioned in your testimony will be made part of the record as part of your testimony.

[The prepared statement of Michael A. Kinney and additional material follows:]

TESTIMONY OF MICHAEL A. KINNEY
PASSUMPSIC SAVINGS BANK [VERMONT]
BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES
OF THE
COMMITTEE ON EDUCATION AND LABOR
UNITED STATES HOUSE OF REPRESENTATIVES
MARCH 3, 1989
REAUTHORIZATION OF THE DEMONSTRATION PARTNERSHIP PROGRAM

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, THANK YOU FOR INVITING ME TO TESTIFY BEFORE THIS SUBCOMMITTEE TODAY ON THE IMPORTANT ISSUE OF THE REAUTHORIZATION OF THE DEMONSTRATION PARTNERSHIP PROGRAM (DPP). I HAVE BECOME A SUPPORTER OF THE DEMONSTRATION PARTNERSHIP PROGRAM THIS PAST YEAR THROUGH MY INVOLVEMENT WITH THE VERMONT DPP PROJECT.

I HAVE BEEN A LOAN OFFICER AND ASSISTANT TREASURER FOR OVER SIX YEARS WITH A 150 MILLION DOLLAR SAVINGS BANK IN NORTHEASTERN VERMONT. I RECEIVE, PROCESS, REVIEW AND APPROVE APPLICATIONS FOR LOANS OF ALL TYPES, I.E. CONSUMER, MORTGAGE AND COMMERCIAL. I AM REASONABLY COMFORTABLE WITH THE AVERAGE NEEDS OF THE PEOPLE AND BUSINESSES OF MY AREA. MOST OF THE LOAN REQUESTS THAT I RECEIVE ARE FROM HOUSEHOLDS WITH AN INCOME RANGE OF BETWEEN $12,000 TO $30,000.

NORTHEASTERN VERMONT HAS TRADITIONALLY BEEN A VERY RURAL ECONOMICALLY DISTRESSED AREA WITH HIGH UNEMPLOYMENT AND GENERATIONAL POVERTY. TODAY, UNEMPLOYMENT IS LOWER, BUT WITH A HIGH PERCENTAGE OF CLERICAL AND SERVICE ORIENTED JOBS WITH WAGES BEING MAINTAINED AT OR NEAR MINIMUM WAGE. FOUR OF THE AREAS'S LARGEST EMPLOYERS ARE EXPANDING AT A SLOW PACE WHILE A FIFTH EMPLOYER IS CLOSING IT'S AREA PLANT AND MOVING OPERATIONS TO MEXICO. ANOTHER LARGE AREA OF EMPLOYMENT IS SEASONAL AND FLUCTUATES BETWEEN SKI RESORTS IN THE WINTER AND RECREATION AND TOURISM IN THE SUMMER.

WE DO NOT HAVE A HIGH PERCENTAGE OF PEOPLE IN OUR AREA WITH TECHNICAL SKILLS TO FILL HIGHER PAYING POSITIONS, SO BUSINESS EXPANSION BASED ON THESE BETTER POSITIONS OFTEN DOES NOT OCCUR. YET PEOPLE HAVE THE NEED TO EARN MORE. IF THIS IS NOT POSSIBLE, SOMETIMES THERE IS A TENDENCY TO SLIP BACK INTO WELFARE PROGRAMS.

MY RELATIONSHIP WITH THE DPP STARTED WHEN OUR BANK WAS APPROACHED BY A COMMUNITY ACTION AGENCY BUSINESS DEVELOPMENT SPECIALIST AND A LOW INCOME COMMERCIAL LOAN APPLICANT. WE WERE EXTREMELY IMPRESSED WITH THE APPLICANT'S FULLY DEVELOPED BUSINESS PLAN AND THE LIAISON BETWEEN THE LOAN APPLICANT AND THE LOCAL REPRESENTATIVE OF THE VERMONT DPP.

AS I CAME TO UNDERSTAND, THE VERMONT DPP IS A PARTNERSHIP BETWEEN THE STATE JOB START LOW INCOME REVOLVING SMALL BUSINESS LOAN FUND AND VERMONT'S FIVE COMMUNITY ACTION AGENCY'S SMALL BUSINESS TECHNICAL ASSISTANCE PROGRAM. I WOULD LIKE TO ENTER FOR THE RECORD THE ATTACHED DESCRIPTION OF THE VERMONT DPP AND THE PRELIMINARY STATE WIDE RESULTS OF THE 1988 DPP ACTIVITY.

I EVENTUALLY BECAME A MEMBER OF THE JOB START REGIONAL ADVISORY BOARD FOR NORTHEASTERN VERMONT. EACH OF THE FIVE REGIONAL BOARDS CONSIST OF A LOCAL BANKER, TWO LOCAL BUSINESSPEOPLE AND TWO LOW INCOME REPRESENTATIVES. AT MONTHLY MEETINGS, WE REVIEW THE STATUS OF LOANS

PREVIOUSLY MADE AND THEN REVIEW ALL APPLICANTS AND THE MERITS OF THEIR LOAN REQUESTS. THROUGH THE DPP, LOAN RECIPIENTS HAVE LEARNED TO MAINTAIN THEIR OWN BOOKKEEPING SYSTEM AND THEY REPORT MONTHLY ON THEIR STATUS.

EVERY REQUEST IS UNIQUE, AN INDIVIDUAL EARNING $630 MONTHLY IN MAY OF 1988 FROM DISABILITY, NOW HAS HIS OWN CUSTOM PHOTOGRAPHY SHOP BECAUSE OF THE DPP. HIS CURRENT INCOME IS $1,135 PER MONTH AND GROWING, AND HE IS NOW PAYING TAXES. ANOTHER LOAN MADE IN NOVEMBER OF 1988 WAS TO A HUSBAND AND WIFE WHO WERE UNEMPLOYED AND NOW HAVE THEIR OWN SUCCESSFUL JANITORIAL SERVICE.

OUR BOARD MADE NINE LOANS FOR $46,700 COMBINED WITH $8,000 LEVERAGED FROM SOURCES DURING THE DPP 1988 YEAR, COMPARED TO THREE LOANS FOR $11,000 THE PREVIOUS YEAR WITHOUT DPP. THESE WERE CLEARLY LOANS THAT BANKS WOULD NOT HAVE MADE BECAUSE JOB START APPLICANTS ARE REQUIRED TO HAVE A WRITTEN LOAN REJECTION FROM A BANK BEFORE THEY CAN APPEAR BEFORE THE JOB START BOARDS.

COMMERCIAL LOAN POLICIES IN NORTHEASTERN VERMONT HAVE BEEN AND WILL CONTINUE TO BE CONSERVATIVE. MOST COMMERCIAL LOANS ARE WITH AN ESTABLISHED BUSINESS AND/OR INDIVIDUALS WITH EXCESS EQUITY. MOST COMMERCIAL LOANS ARE NORMALLY, FROM $10,000 TO $100,000 IN SIZE. MOST BANKS REQUIRE A TWO YEAR WORK EXPERIENCE HISTORY FROM A COMMERCIAL APPLICANT WITHIN THE SAME FIELD. THIS MAKES IT HARD FOR AN AVERAGE INDIVIDUAL TO RECEIVE A BUSINESS LOAN.

THEREFORE, IT IS EVEN MORE IMPRESSIVE THAT WITH THE DPP TECHNICAL ASSISTANCE, FOURTEEN ADDITIONAL JOB START ELIGIBLE LOAN APPLICANTS WERE ABLE TO RECEIVE $131,700 IN FINANCING FROM NON JOB START SOURCES INCLUDING TEN DIRECT BANK LOANS FOR $71,700. THREE OF THESE LOANS WERE FROM MY BANK. IT IS CLEAR TO ME THAT WITHOUT THE DPP TECHNICAL ASSISTANCE NONE OF THESE LOW INCOME BUSINESSES WOULD HAVE GOTTEN A COMMERCIAL LOAN.

THE VERMONT DPP DEMONSTRATED THAT A PARTNERSHIP BETWEEN THE PUBLIC AND PRIVATE SECTOR COULD WORK TO GIVE LOW INCOME PERSONS AN OPPORTUNITY TO BECOME SELF SUFFICIENT THROUGH SMALL BUSINESS OWNERSHIP.

THESE SMALL MICRO BUSINESSES, WITH FEWER THAN TWENTY EMPLOYEES, MAKE UP THE BACK BONE OF NORTHEASTERN VERMONT, VERMONT AND PROBABLY THE WHOLE COUNTRY. THEY NEED TECHNICAL ASSISTANCE TO SUCCEED AND TO FIND FINANCING. I KNOW OF NO OTHER PUBLIC OR PRIVATE AGENCY OFFERING THIS TECHNICAL ASSISTANCE TO INDIVIDUALS OR LIGHT INDUSTRY OF THE TYPE THAT REQUIRES FUNDING FOR LESS THAN $10,000, ESPECIALLY FOR LOW INCOME ENTREPRENEURS. IN VERMONT, THE DPP FILLED THIS NICHE. I BELIEVE A SIMILAR PROGRAM COULD BE SUCCESSFUL IN OTHER RURAL STATES AND IN URBAN AREAS.

MR CHAIRMAN, IN SUMMARY, I SUPPORT THE CONTINUATION OF THE DEMONSTRATION PARTNERSHIP PROGRAM. THE HOPES OF MYSELF AND MY BANK, ARE FOR THESE INDIVIDUALS, VIA THIS OPPORTUNITY, TO HAVE THE CHANCE TO BE SELF SUFFICIENT, TO REMOVE THEMSELVES FROM THE WELFARE ROLES, TO BE PAYING TAXES, AND TO BE ACTIVE WITH THE LOCAL COMMUNITY AND BANKS WITH THEIR DEPOSITS AND LOANS THROUGH SOUND FINANCIAL MANAGEMENT, ECONOMIC STABILITY AND INDEPENDENT SECURITY. THE VERMONT DPP OFFERED THESE INDIVIDUALS THAT CHANCE.

Vermont Job Start
Vermont Community Action Technical Assistance Program

Established by the state legislature in 1978, Job Start is a $400,000 revolving loan fund for Vermonters who lack access to conventional sources of credit. Income eligible applicants can borrow up $10,000 from the fund to start or expand a small business.

During the past ten years, Job Start has loaned over $1,500,000 to more than 400 businesses. The high risk Job Start loans have only a five percent loss, and the program's single staff position and most of its operating costs are funded from interest on the loans.

A 1983 survey of 180 businesses that had received Job Start loans during the program's first five years revealed that 77 percent of the enterprises were still in operation and that 70 percent had expanded since the initial loan was made.

The Job Start loan fund's results and potential are evident. During 1988, Job Start received 699 application requests compared to 288 during 1987. In 1988, 63 businesses, which represent 128 jobs, received a total of $479,500 in start up or expansion financing compared to the 26 businesses that received a total of $106,800 in 1987. Sixty-two of these businesses are still in operation and 12 have expanded or added more employees since receiving a loan.

Job Start made 48 direct business loans for a total of $304,500; the average loan was for $6,344. These loans created or sustained 101 jobs for an average of 2.1 jobs per loan at a cost of $3,015 per job. Six loans were used to leverage an additional total of $35,800 in financing from other sources, including one SBA 7A loan of $20,000 from a commercial bank.

The state legislature funded business planning technical assistance for loan applicants through Vermont's Community Action Agencies for Job Start's first two fiscal years, when 183 loans for $432,000 were made. Without this technical assistance, Job Start activity quickly dwindled to less than 30 loans a year. By the end of FY87, $200,000, or half of the fund, had not been loaned.

During 1988, a partnership effort to demonstrate the potential of Job Start to create jobs, stimulate private sector small business financing, and assist income eligible Vermonters to become self-sufficient through self-employment began. Funded by a federal grant of $211,775, Vermont's Community Action Agencies once again provided business planning assistance to loan applicants and borrowers. Governor Kunin and the state legislature augmented the fund with $100,000 of new loan money. When the funds were loaned out by the end of July, Job Start negotiated a low interest loan of $250,000 from an insurance company to sustain the program.

The Vermont Community Action Technical Assistance Program helped another 15 Job Start businesses, which represent 27 jobs, secure $139,200 from other sources of financing, including 11 businesses that received $66,500 in direct bank loans.

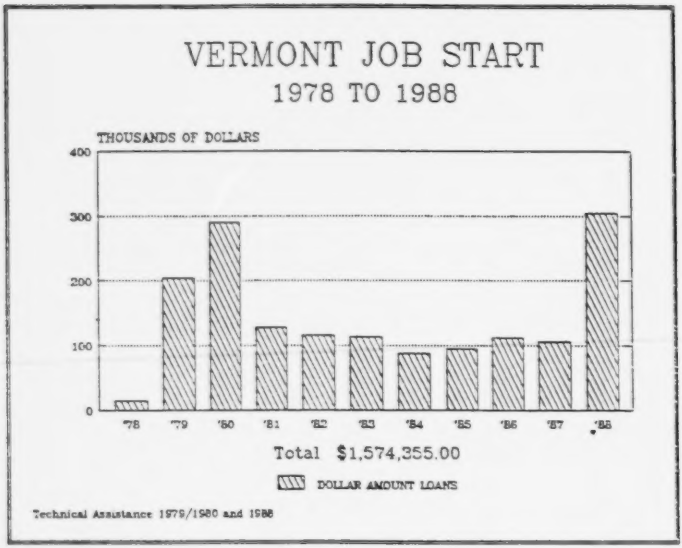
Of the 48 businesses that have received Job Start loans, 52 percent have had at least one woman as an owner; 92 percent have had at least one owner whose household income was at or below 125 percent of the federal poverty level; 33 percent have had at least one owner from a household that received some form of federal assistance; and 23 percent have had at least one owner receiving ANFC welfare payments.

Job Start made 13 loans in Vermont's four southern counties, nine loans in the Northeast Kingdom, 11 loans in central Vermont, and 15 loans in the Champlain Valley region. Job Start loans, in 1988, were made to the following range of businesses:

Graphics Design
Real Estate
Used Car Sales
Signmaker
Icon Printer
Peddler's Cart
Gift Baskets
Property Manager
Fabric Painting
Recycling Center
Craft Jewelry
Floor Installation
Fitness Center

Auto Repair
Landscape
Video Rentals
Restaurant
Gift Shop
Redemption Center
Computer Sales
Window Cleaner
Courier Service
Furniture Refinishing
Jobsite Services
Paint Contractor
General Contractor

Photo Service
Appliance Sales
Knit Design
Janitor Service
Trucking
Craft Glass
Pizza Take-out
Lawn/Snowplow
Beauty Shop
Toymaker
Day Care
Bookkeeper
Silversmith



Your support is needed for a bill currently before the state legislature that would add needed capital to the Job Start Revolving Loan Fund and continue the Community Action technical Assistance Program. This would continue appropriate management assistance for 150 Job Start businesses and 300 small business start-ups or expansions.

Organizations which support the recapitalization of Job Start include: Vermont Community Action Directors Association, Vermont Bankers Association, Vermont Governor's Commission on Women, Vermont Low Income Advocacy Council, Vermont Small Business Network, Vermont Consortium for Women's Economic Development, Burlington Community Economic Development Office, NETO Entrepreneurial Training Program, Burlington Women's Economic Opportunity Program, Vermont Small Business Devlopment Centers, and the Burlington Women's Council.

Fact sheet -- Central Vermont Community Action, Barre, Vt. 2/89

Mr. KILDEE. Ms. Sinclair.

STATEMENT OF JOAN SINCLAIR, COMMISSIONER, ALLEGHENY COUNTY, DEPARTMENT OF SOCIAL SERVICES, BELMONT, NY

Ms. SINCLAIR. I am very pleased to have been invited to present testimony today.

By way of background, I am a local Commissioner of Social Services in New York State in a rather small county.

Also, I am on the Board of Directors of the New York Public Welfare Association and chair its Income Maintenance Committee which is involved with our State Department of Social Services and the Governor's Office, in implementing the welfare reform commissions.

I was pleased to hear comments related to the welfare reform commissions because I think this particular project fits so well with the intent of welfare reform and is a type of project which provides the flexibility to communities to implement activities which will be in tune with the welfare reform provisions, but outside of the bureaucracy. I will point that out in my testimony.

We are very excited about the project we have in Allegheny County and appreciate the opportunity to talk about it a bit this morning.

This project, which a number of agencies and educational institutions in our locality wanted to develop since 1984 only came to fruition because of the Demonstration Partnership Program. When the DPP grants became available, we knew we had found a means by which we could test self-employment as an avenue to self-sufficiency for some in our communities.

In fact, we had already identified those on our rolls who had at least sporadic or partial earnings from self-employment. We worked with our clients in actually developing the grant proposal.

They met with us and members of the community action agency. They were very excited, as we were.

Although we knew at the beginning that we would be facing such things as regulatory barriers, our clients themselves brought it home as to what the impact was on them when their income and their resources were restricted and applied to their public assistance grant when they were trying to build up a business and how it made it virtually impossible for them to do that.

Allegheny County has one of the lowest per capita incomes in New York State. It is part of Appalachia, and has one of the highest percentages of people on public assistance.

In recent years, however, in conjunction with the general economic upturn, we have been particularly successful in establishing a broad range of opportunities for public assistance recipients who are looking to be become self-sufficient.

We have also been looking for a range of opportunities that does not simply bring people from 80 percent of the poverty level, which is where they are on public assistance in New York State, to 90 percent of the poverty level in low-wage jobs.

We are looking for a real way to self-sufficiency as a means of life for them.

From 1985 to 1988 we experienced a 23-percent reduction in the number of public assistance households in our county, which is partially attributable to the formation of a consortium known as the Allegheny County Training Consortium, ACTC.

The ACTC has a membership of 10 agencies and looks for means to address the needs of unemployed as well as businesses in our community and tries to match those needs. The ACTC is a unique group in that a collective leadership approach is used to identify needs, develop programs and reach concurrence on what lead agency is best to implement the activities and the projects.

The small business development program which is funded under the DPP is an example of a project which under the auspicious of the Department of Social Services or another public entity, would have had little or no chance for success.

Under the auspices of the ACTC during the planning phases and ACCORD Corporation, our community action agency during design and implementation, the project became feasible.

In 1984, prior to the formation of our consortium, I considered the possibility of promoting entrepreneurship for public assistance recipients within our training and educational agencies.

The idea had the support of the JTPA and the State University of New York at Alfred. Funds were requested for course work in small business development for our clients and were provided by the State Department of Social Services in 1985.

As we explored providing that course work, we realized there were substantial barriers other than the ability to run a small business which existed for the public assistance population as it did not necessarily for the population as a whole.

As a result, we did not utilize those funds. But when the consortium was formed in 1985, and we established a multi-agency goal of promoting small businesses, the idea was again put on the table. Anticipated barriers were identified, none of which appeared to be insurmountable except that it was evident that funds for capitalization of businesses ultimately selected in addition to project development and participant training funds would be required. It was also known on the outset there would be regulatory barriers and budgetary hurdles to be addressed.

From our department's perspective it had been almost impossible to assess the ability of unemployed persons to achieve the status of self-sufficiency. We simply don't have the expertise within public welfare agencies to make those decisions. That was a concern on our part.

In addition, the department regulations in New York State generally do not allow for certain business expenses such as purchase of capital equipment and payments on principals of loans to be exempt from budgetary considerations.

Child care allowances also were not designed to be provided in a person's own home while they are trying to run a business from their home. Training programs were not available and were not geared to persons who were self-employed or looking to be self-employed.

The individuals would have to make a decision as to whether to take time away from their business to go to training, thus leaving their business without any activity, or to run their businesses with-

out the appropriate training. Frustration with the system, which on the one hand claimed to be committed to helping clients become self-sufficient and on the other hand presented barriers to achieving that goal existed between the client and department.

The SBDP was established on the basis of two hypotheses. The program would be effective in enabling low-income persons to achieve stability. Two, a community agency has a distinct capacity to take localized action in orchestrating welfare reform.

The program consists of three cycles of 6 months each, with eight persons per cycle. The first cycle and the second cycle have completed their formal program of training.

Initiation of the third cycle has only just recently begun. The staff activities include six basic elements, generation and assessment of a candidate pool, selection of those who may benefit from the program, development of individualized plans and programs, monitoring the progress of the participants, assisting in transition to self-sufficiency and program administration.

The program activities are based on close-working relationships between the clients and the staff. Training activities include a series of eight technical workshops as well as intense one-on-one counseling.

A critical feature of the program is that revenues generated by recipient businesses are turned over to ACCORD and placed in a revolving loan fund.

A pool of $3,000 per cycle has been made available to provide lines of credit to participants up to $500 during that six-month period. Revolving loan funds are managed by a special loan committee. Line-of-credit funds are made available at the discretion of the staff.

Our original intent, however, was to have the participants in the status of employee of ACCORD Corporation so we could provide grant diversion of public assistance funds for on-the-job training and JTPA funds for on-the-job training. We found as we started the project in that manner, that we had an insurance problem.

When you have eight separate businesses of varying types and all working under one organization, we found insurance companies were not particularly attuned to that kind of arrangement. So we had to back off on that idea.

I mention this because of the fact that we needed to have the kind of flexibility we have at a community action agency in order to do this.

We could not have done this within the bureaucracy, I don't think.

We changed the status of the participants to self-employed persons who received training from ACCORD Corporation.

We found a way to shelter the income by having contractual agreements between the participants and ACCORD, which made that income and resource unavailable. I, as a local commissioner in New York State, can make a judgment in the interest of welfare if a participant income is used in a fashion that is acceptable. So that is what we did. We reversed that in order to make it work.

I know I am getting a little lengthy. I just wanted to let you know that we do have a list of participants and directory participants.

Our first cycle people are the only ones totally completed. We originally selected eight. Seven participated fully in the program. Three of those businesses are up and running.

Those folks are completely off assistance. One fluctuates from a 50- to an 85-percent level of business income.

All participants are earning more than if they had continued to be supplemented by public assistance, or require less of a public assistance benefit. There are some things we still want to do with the project.

We certainly are looking forward to continuing the project in some manner or another because we are looking for additional resources.

I strongly recommended to the subcommittee that a close look at the HHS regulations be done. I think we can prove it is possible to do a project like this successfully, but the income and resource applications are certainly not attuned to self-employment. There are a number of regulations, I think, that could be looked at there.

Thank you.

[The prepared statement of Joan D. Sinclair follows:]

TESTIMONY

BEFORE

THE COMMITTEE ON EDUCATION AND LABOR

SUBCOMMITTEE ON HUMAN RESOURCES

The Honorable Dale E. Kildee, Chairman

PRESENTED BY:

Joan D. Sinclair, Commissioner

Allegany County Department of Social Services

State of New York

RELATED TO

COMMUNITY SERVICE BLOCK GRANT ACT

DEMONSTRATION PARTNERSHIP PROGRAM

ACTC - ACCORD, CORPORATION

SMALL BUSINESS DEVELOPMENT PROGRAM

March 3, 1989

ATTACHMENT I

EXCERPTS FROM THE
NEW YORK STATE
CODES, RULES, AND REGULATIONS,
BOOK 18 - SOCIAL SERVICES
CHAPTER 2
RELATED TO TREATMENT OF
EARNINGS FROM SELF-EMPLOYMENT AND
EXEMPTION OF INCOME AND RESOURCES

My name is Joan Sinclair. I am Commissioner of Social Services for Allegany County in New York State, which is a rural county of slightly over 50,000 population, remote from urban areas, located in the southwestern portion of the State.

I am extremely pleased to have been asked to testify before you regarding the Demonstration Partnership Program being conducted in Allegany County by ACCORD, Corporation, our community action agency.

Allegany County has one of the lowest per capita incomes and highest percentage of recipients of AFDC, and New York's Home Relief benefits of counties in our State. In recent years, however, in conjunction with the general economic upturn occurring throughout the State and nation, we have been particularly successful in establishing a broad range of opportunities for public assistance recipients to attain self-sufficiency.

From 1985 to 1988 we have experienced a 23% reduction of the number of Public Assistance households in the County, which is at least partially attributable to the collaborative efforts of the Allegany County Training Consortium (ACTC). The ACTC has a core membership of 10 agencies and educational institutions whose directors are committed to finding innovative means to address the needs of both the unemployed and the businesses in our community.

The ACTC is a unique group in that a collective leadership approach is used for identifying needs, developing programs, and reaching concurrence on the lead agency for implementation of activities and projects. The approach of collaboration during developmental phases of any project or program, rather than having one agency take an immediate lead and seek the support of others after a project is designed, allows for universal ownership and commitment and for a dynamic and creative atmosphere.

The Small Business Development Program (SBDP) is an example of a project which, under the auspices of the Department of Social Services or another public entity, would have had little or no chance for success. Under the auspices of the ACTC during the planning phases, and the direction of ACCORD, Corporation (community action agency) during design and implementation, the project became feasible.

As early as 1984, prior to the formulation of the ACTC, I had been discussing potential for promoting entrepreneurship as an avenue for some Public Assistance recipients to reach self-sufficiency. The idea had the support of the Private Industry Council (JTPA) office and the State University of New York at Alfred. Funds were requested for coursework in small business development, to be provided in 1985.

Although funds were approved by the State Department of Social Services, it became evident that small business training was, in itself insufficient, due to the existence of various barriers beyond lack of knowledge of sound business practices. As a result, these funds were not utilized.

With the formulation of the ACIC in 1985, and the establishing of a multi-agency goal of promoting small business development, the idea of entrepreneurship for Public Assistance recipients was again presented for discussion. Anticipated barriers were identified, none of which appeared insurmountable except that it was evident that funds for capitalization of the businesses ultimately selected, in addition to project development and participant training funds, would be required. It was also known at the outset that there would be regulatory and budgetary hurdles to be addressed.

It was decided that our Department would identify clients who were currently receiving Public Assistance either sporadically, or supplementally, dependent upon the level of applicable income from self-employment in any given month or season. These individuals were invited to a small business development seminar focused on identifying barriers to achieving full self-sufficiency. The message was clear. The regulations under which we were budgeting self-employment income, limiting resources, providing child care allowances, and establishing training, paid little attention to the fact that there was a population pursuing self-support through self-employment.

From a Departmental perspective, it had been virtually impossible to assess the ability of self-employed persons to achieve self-sufficiency, although New York State regulations (NYSCRR 352.14(a)(2)) required decisions by the local Department on growth potential of businesses and whether or not to require liquidation as a condition of eligibility. Such expertise in assessing businesses does not tend to exist within Departments of Social Services.

In addition, Departmental regulations (NYSCRR 352.17(2)) generally did not allow for certain business expenses, such as purchase of capital equipment and payments on principals of loans, to be exempt from budgetary application. Child care allowances were not provided for parents who remained in their homes to conduct their business. Training programs available were not geared to the self-employed, who were placed in a position of making choices between generating business income or leaving the business temporarily in order to access training.

Frustration with a system which on the one hand claimed to be committed to assisting clients to become self-sufficient, and on the other created barriers to achieving that goal, existed for both the client and the Department.

There did not appear to be a way in which the Department of Social Services could take the lead in conducting an entrepreneurship program. In fact, it was decided by the ACIC that it would be best, regardless of Departmental ability, that such a project be established in neutral territory for Public Assistance recipients.

There is, and understandably so, a skepticism on the part of Public Assistance clients related to the motives of the Department. What is seen as overriding in the Department-client relationship is the Department's interest in keeping to a minimum the benefits expended, regardless of potential long range positive effects of investing in clients in order to increase their opportunities.

I do not believe that the Department of Social Services could have been as successful as a community action agency with a project of this nature, even if we were able to overcome regulatory barriers. Clients must have trust in the motives of those who are providing direction, and must feel free to be open about their individual circumstances. Although we were aware of this element at program inception, it became more strikingly apparent during the project. The degree and intensity of contacts between project staff and clients was such that a variety of personal barriers, from need for alcohol treatment to spousal rifts related to household goals, needed to be addressed.

It also became evident, in certain cases, that there had been past fraudulent withholding of information on earnings from the Department. This information was essential to assessing business potential, but would have created a direct conflict if reported to the Department. This remains an issue, and would likely be addressed by exploring the creation of some type of amnesty status for future participants.

In addition to creating a more open and flexible atmosphere, separated from the bureaucratic demands of the Social Services Department, there are several other reasons that our community action agency (ACCORD, Corporation) was best suited among the ACTC agencies to take the lead in design and implementation of the program:

- Program goals fit with those pre-established by the ACCORD Board of Directors.

- ACCORD, Corporation, serves a low income population not necessarily receiving Public Assistance, and therefore has ability to explore a more expansive array of funding sources.

- ACCORD, Corporation, had pre-existing expertise in operating businesses as well as strong ties to other community entities which were willing to lend their expertise and resources.

- A community action agency is more insulated than a county department from political considerations and approval, facilitating startup timing and the ability to structure and utilize a variety of matching funds. In fact, it was even more critical to implementation that there was a particularly flexible organization taking the lead than we had originally thought.

Our original intent was to have participants in a status of employee of ACCORD, Corporation and that, as such, they were considered in an on-the-job training mode. This approach would have allowed for a six-month Public Assistance grant diversion under the TEAP (Temporary Employee Assistance Program), as well as JTPA-OJT funds, for the purpose of offsetting earnings paid by ACCORD during small business development on-the-job training.

An unanticipated barrier arose related to this status of participants as ACCORD employees in training, that being the inability to obtain appropriate business insurances at reasonable rates for a wide variety of businesses.

It was necessary for the ACCP to explore an alternative mode of operation. The outcome was to have participants revert to self-employment status, and to find a means by which basic needs could be met while in a part-time training, part time employed mode.

We were able to exempt income and resources under NYSCRR 352.16, which requires the local Department of Social Services to abide by verified restrictions of income and resources, insofar as these restrictions were considered to enhance the health or welfare of the recipient. Agreements between recipients and ACCORD, Corporation, were established. These agreements provide for the business income and resources to be turned over to ACCORD, Corporation, during the time the participant is in the project, thus allowing both the exemptions from Public Assistance budgeting and the use of earnings for future capitalization. This sheltering of income and resources could not have occurred had the Department of Social Services been the lead agency.

However, although the Department of Social Services was best placed in a secondary position related to conducting the project, there are a number of issues which could not have been successfully addressed without full cooperation between ACCORD and the Department including:

- the agreement to exempt income and resources during a participant's tenure with the project by honoring an ACCORD-client contract. This temporarily increased benefits costs by not applying earned income.

- identification and referral of individuals with potential or actual self-employment earnings, including joint intake and screening with JTPA and DOL staff members.

- direct involvement with participants and project staff in assessing and dealing with transitional concerns related to both entering and leaving the project. Special attention was given to insure benefits were computed and issued in a timely manner, and that participants had prior knowledge of the effects of their project status on Public Assistance benefits.

- insuring availability of Departmental expertise in employment services, casework services, and special needs counselling.

- sharing historical information with ACCORD, Corporation, based on a consent obtained from each participant.

In general, this type of project requires a strong commitment by each involved entity to be as flexible as possible, given regulatory constraints. It also requires that there is trust among partnership members and a mutual focus on client needs. These intangibles can be established during development of a particular project, but I do believe that we were at an advantage in that the umbrella ACTC group had previously functioned in partnership on other projects, and had momentum based on past successes.

I would strongly recommend that similar opportunities be made available to States and localities which are seeking alternatives to the traditional approaches addressing self-sufficiency of Public Assistance recipients, and that means by which successful projects could be made known and replicated are pursued.

The necessity to seek regulatory waivers can be a major stumbling block to replication. Although we were able to hang our hat on a New York State regulation allowing for income and resource sheltering, it is not likely that this ability is universal throughout the nation, nor one which would come to mind throughout New York State.

Regulatory provisions allowing State options related to treatment of the income and resources of self-employed persons could give birth to the development of similar approaches in other localities.

I am pleased with the results to date of the Small Business Development Project, and believe that with certain refinements it could be a model adaptable to other localities.

We are in agreement locally: - that more intensive counselling and case management are needed by some participants - that a second project phase which would include supported work, and examination of potential for business expansion would be beneficial to a significant number of participants - a more individualized and variable project length should be established to insure adequate time for skills development and barrier elimination. We are also concerned that an 18-month program period is insufficient to be able to assess long range effects.

In order to implement and evaluate the project modifications we've assessed to be needed, we will require additional resources. Regardless, however, of our success in continuation, I believe we have learned a great deal from this project about the needs of our clientele; the realities of pursuing self-employment as a means of achieving self-sufficiency, particularly in relation to stringent Public Assistance regulations; and the ability of community partnerships to overcome obstacles which single agencies could not.

Attached to this testimony are the following:

Attachment I - Excerpts from the New York State Codes, Rules and Regulations, Book 18 - Social Services Chapter 2, Related to Treatment of Earnings from Self-Employment and Exemption of Income and Resources.

Attachment II - A recent article about the SBDP published in New York State Department of Social Services' PIPELINE newsletter.

Attachment III - Small Business Development Program Design, submitted by ACCORD, Corporation.

Attachment IIIA - Allegany County Training Consortium - Full Membership Listing.

Attachment IV - Entrepreneurial Development for Public Assistance Recipients, prepared by Alfred Associates.

I greatly appreciate the opportunity to share with you my perspective of the Small Business Development Program. It is my sincere wish that the information provided will assist in your review of the outcomes of the Demonstration Partnership Program.

352.17 Definition and computation of earned income. (a) *Earned income* shall mean income in cash or in kind earned by an individual through the receipt of wages, salary, commissions, or profit from activities in which he is engaged as a self-employed individual or as an employee. Such earned income may be derived from his own employment such as a business enterprise or farming; or derived from wages or salary received as an employee. It includes earnings over a period of time for which settlement is made at one given time, as in the instance of sales of farm crops, livestock or poultry. In instances of lump sum payment for services rendered over a period of more than one month, such income shall be prorated on a monthly basis with appropriate monthly exclusions.

(1) With reference to commissions, wages or salary, the term *earned income* means gross earned income prior to deduction of any taxes or other personal and nonpersonal expenses incident to employment.

(2) With respect to self-employment, the term *earned income* means the total profit from a business enterprise, farming, etc., resulting from the gross income received less the business expenses, *i.e.*, total cost of the production of the income as defined in paragraph (b)(2) of this section.

(b) *Computation of net applicable income.* (1) In computing the amount of net applicable income to be applied against the estimate of needs, the following must be applied sequentially:

(i) the prescribed work expense disregard;
(ii) prescribed child care expenses; and
(iii) the applicable amount of exempt earned income.

The net amount remaining shall be applied against the estimate of needs in determining the amount of the assistance payment.

(2) For self-employed individuals, those expenses directly related to producing the goods or services and without which the goods or services could not be produced shall be excluded. However, depreciation, personal business and entertainment expenses, income tax, personal transportation, purchase of capital equipment, and payments on the principal of loans are not excluded.

(3) Where the gross property cost of client-owned property used as the home exceeds the gross rent receipts, the difference shall be the public assistance recipient's shelter need that is payable up to the agency maximum. When the gross rent received exceeds the gross property cost, the difference shall be counted as earned income from self-employment and no amount shall be included as a shelter item in the client's budget estimate of need.

(c) *Budgeting earned income for ADC and HR applicants.* (1) At the time of application, the amount of earned income used to calculate budgetary needs shall be the actual income anticipated to be received prospectively for each of the initial two months. In determining the amount of actual income, the income figures to be used shall be based on the verified income as reported for the preceding eight weeks, or any part of that time in which the wage earner was actually employed. If income fluctuates during such time period, an average weekly amount shall be used.

(2) The net income thus computed is applied against need as anticipated income for the initial two months unless one of the following changes occur during the initial two months:

(i) loss of employment;
(ii) change in status of recipient from part-time to full-time or conversely;
(iii) permanent increase or decrease in income;
(iv) permanent increase or decrease in number of hours worked per pay period; or
(v) receipt of income from an additional source of any kind.

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(c) Housekeeping services for a recipient who is unable to perform housekeeping tasks shall be provided. When it is not provided by staff of the social services district, it may be purchased from another agency or from an individual. When such service is purchased from an individual by the social services district, provision shall be made for workers' compensation and other benefits as required by law.

Historical Note

Sec. filed June 25, 1969; amd. filed April 3, 1970; repealed, new filed June 2, 1970; amds. filed: April 19, 1973; Aug. 31, 1976; Oct. 20, 1978; June 25, 1980 eff. June 25, 1980. Amended (a).

352.10 Payment of life insurance premiums. Life insurance premiums shall be met under the following circumstances and conditions:

(a) when the recipient is aged, his life expectancy is short, or he is deemed uninsurable; or

(b) by vendor payment when the policy is assigned to the agency.

Historical Note

Sec. filed June 25, 1969; amd. filed April 6, 1970; repealed, new filed June 2, 1970 eff. June 1, 1970.

352.11 Advance allowances. Whenever an advance allowance is authorized under this Part, such an allowance may be provided only where the recipient has made a request in writing for such an allowance, and has also requested in writing that his monthly grant be reduced to recover such an allowance. The recoupment shall be 10 percent of the household needs. However, where undue hardship is claimed and substantiated, the recoupment shall not be less than five percent of the household needs. Such grant reduction shall continue until such time as the amount of the advance allowance shall have been fully repaid.

Historical Note

Sec. filed June 25, 1969; repealed, new filed June 2, 1970; amds. filed: March 30, 1979; Oct. 21, 1981; repealed, filed Dec. 24, 1981; new filed Jan. 7, 1986 eff. Jan. 28, 1986.

352.12 Income and benefits as related to employment. In determining initial and continuing eligibility, current employment, past employment, employability and work-related benefits shall be fully explored and verified. The applicant or recipient shall be required to seek and accept employment in which he is able to engage, to utilize placement facilities and to make application for work-related benefits.

(a) *Present employment.* (1) Income from wages. The employment and earnings of such employed applicant or recipient shall be verified, including the name and address of employer, social security number, work classification, date employment started, amount of gross and net wages, including items covered by deductions, exemptions and number of dependents claimed for income tax purposes.

(2) Income from self-employment or small business. The facts and conditions of a business owned or operated by an applicant or recipient shall be explored and verified insofar as possible, including operating costs, gross sales, net profits, current inventory, accounts receivable, accounts payable, general financial history, and present prospects. A careful analysis and appraisal of these facts is required as a basis for counseling the owner on liquidation or continuance of the business. The social security number shall be secured. If the business has no potential for growth, and does not produce income at least equal to that which could be expected from his employment, the applicant or recipient shall be required as a condition of eligibility to liquidate his business.

(c) If the support payment is made to the wrong individual, a payment to the correct individual shall be issued immediately and recovery or recoupment from the incorrect individual shall be made in accordance with section 352.31(d) of this Part.

Historical Note

Sec. filed June 2, 1970; amds. filed: April 14, 1972; Nov. 17, 1975; Oct. 21, 1981; Dec. 24, 1981; repealed, filed Aug. 16, 1984; new filed Dec. 19, 1985 as emergency measure; made permanent by order filed Feb. 13, 1986 eff. Feb. 13, 1986.

352.16 Exemption of income and resources—general policy. (a) When the terms of an award, the legislative intent of a government benefit, the rules of an organization paying a benefit, the nature of a trust fund, or the agreed upon intent of a friend, nonlegally responsible relative, social agency or other organization limits the use of cash income, the social services official shall abide by such restriction, when verified. The restriction may limit the use of the income to a specified purpose or to a particular member or members of the household. However, whenever any contribution from a nonlegally responsible relative or friend is sought to be restricted for the purpose of supplementing a State-prescribed or -approved standard it shall not qualify as a permissible restriction of income, unless the social services official determines that the health and welfare of the recipient would be specifically and materially enhanced thereby.

(b) No grant or loan to an undergraduate student for educational purposes made or insured under any program administered by the United States Secretary of Education shall be considered as income or resources in determining need and amount of assistance.

(c) No grants or loans, including but not limited to undergraduate or graduate school grants, loans or scholarships, which are obtained and used under conditions that preclude their use for current living costs, shall be considered to be income or resources in determining need and the amount of assistance.

(d) For SSI recipients applying for HR:

(1) in-kind income as determined by the Social Security Administration must not be considered as available income unless a separate verification of its availability is made; and

(2) that portion of the SSI grant being recouped by the Social Security Administration must not be considered as available income.

Historical Note

Sec. filed June 2, 1970; amds. filed: June 6, 1975; Nov. 17, 1975; Aug. 14, 1978; Dec. 24, 1981; Nov. 12, 1982; June 6, 1985 eff. June 6, 1985.

COMPREHENSIVE EMPLOYMENT PIPELINE

Mario M. Cuomo, Governor — NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES — Cesar A. Perales, Commissioner

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Cathy Hill, after completing Allegany County's Entrepreneurship Program, opened a family day care home. She is almost totally independent of public assistance now, a goal she hopes to attain when she is able to hire one or two more assistants and expand her operations. Not just any assistants would do, she was quick to point out. "They have to really love children, to give the kind of service I want to give."

Allegany Trains Entrepreneurs

Allegany County, one of several rural, sparsely populated counties in western New York, is a national leader with its Entrepreneurship Program, formally known as the Small Business Development Program (SBDP). Through a unique economic development organization, the Allegany County Training Consortium (ACTC), the county was able to put together a winning grant proposal for one of the first programs in the nation specifically designed to provide training and financial backing to enable public assistance recipients to start or expand small businesses as a means to achieving self-sufficiency. In 1987, the US Department of Health and Human Services offered five grants under its Demonstration Partnership Program. Four were won by states, and the fifth, for approximately $250,000 by Allegany County.

The ACTC consists of ten member organizations, including the Allegany County Community Opportunities and Rural Development Corporation (ACCORD -- the Community Action Agency), the Allegany County DSS, PIC, BOCES and the Industrial Development Agency. ACCORD is the lead agency, as the terms of the grant do not allow government agencies to play this role.

A recently renovated car wash in Belmont houses the SBDP. This program is now concluding the second of three overlapping "cycles". Each "cycle" lasts six months, and requires about 20 hours per week of programmed education and training in such areas as accounting, marketing, advertising, cash management, licensing, taxes and insurance. The entrepreneurship instruction consists of varied formats, such as workshops, seminars and consultations. During the time not taken up by these activities, participants actually run their businesses. Any profits earned are placed in an escrow account maintained by ACCORD for each business' future needs; thus, this income is not available to meet the participants' needs and does not reduce their public assistance.

(continued on page 2)

Broome Keeps Pace Via Education

Broome Community College has operated a Public Assistance Comprehensive Employment (PACE) program since November 1987, and on September 13, 1988 sponsored a press conference to promote awareness of what this program is accomplishing. PACE provides AFDC caretaker parents with the support services necessary for them to complete a one-year certificate or two year degree, and to find employment that will allow them to achieve self-sufficiency.

Speaking at the news conference were State Social Services Commissioner Cesar A. Perales, former Broome County Executive Carl Young, Broome County Social Services Commissioner Joseph Sanfilippo and Broome Community College President Dr. Don Dellow. Commissioner Perales explained:

PACE means education and opportunity for hundreds of individuals. One of the keys to economic self-sufficiency is the opportunity for public assistance recipi-

(continued on page 2)

Toward a Brighter Future: (from left to right) Dr. Donald Dellow, (President, Broome Community College); Barbi Wood (student); Cesar A. Perales (Commissioner, NYS DSS); Mona Bautista (student); Carl Young, (former Broome County Executive); Bao Nguyen (student)

ALLEGANY TRAINS

(continued from page 1)

[redacted]

grams. Apart from the knowledge he or she gains, each participant comes away from the program with three tangible "products"—a business plan, a ledger system and a cash flow projection.

The first cycle ran from April through October 1988, and assisted eight individuals in operating their businesses which included a licensed day care facility, a canine grooming and boarding establishment, a small engine repair shop and a chore service. All but one of the businesses is operating in the black, and that one is expected to resolve its problems in the next few months. For the second cycle, running from August 1988 through January 1989, eight individuals were selected under a revised screening process designed to postpone involvement of individuals whose personal circumstances would limit the effectiveness of the program. Ten individuals will be enrolled in the third cycle, to run from February through July 1989, of whom two will be disabled SSI recipients.

Central to the success of the SBDP is the revolving loan fund. Loans of up to $1,250 are available to program participants as need capital, working capital or expansion capital. "This money is crucial to these small business people," explained Allegany County DSS Commissioner Joan Sinclair, "as they rarely qualify for conventional financing." These loans have "strings," however: recipients must accept assistance with business planning and long-term management. In this way, repayment of the loans is ensured to the extent possible, so that the funds may be released to later participants. [illegible]

Pipeline had the opportunity to visit the Angelica annex near home of Cathy Hill, one of the first eight to complete the SBDP training. Ms. Hill has two children of her own, ages ten and twelve, and had been on public assistance for about twelve years prior to enrolling in the SBDP. "I had about fourteen years experience as a teacher's aide in Montessori Schools and BOCES," she said, "but I could never have run this home without the business training I got from the program."

Ed Welsh, Project Director, ACCORD and Joan Dietrich, Consultant, Allegany County DSS discuss the new cycle of the Entrepreneurship

Because of the nature of self-employment, the transition to self-sufficiency for SBDP participants will be more gradual than for those going to work for others. This lengthier process is expected to have its rewards, explained Project Director Ed Welsh, "[in that] these people will be providing services needed in the community, as well as producing jobs for others in many cases." The success of the program will be evaluated by faculty of Alfred University, and efforts are underway already to obtain funding to enable the program to continue beyond the expiration of the federal grant.

National Puerto Rican Forum CEOSC Leads Welfare Mom To Independence

[redacted]

Evelyn Rodriguez had two strikes against her already when she enrolled last July in the Comprehensive Employment Opportunity Support Center (CEOSC) operated by the National Puerto Rican Forum in New York City. At the age of 27, with three young children and a fourth on the way, she was evicted from her apartment in April 1987. For the next five months, her family shared an abandoned basement apartment with other homeless individuals. By September she was [illegible] and some six months later, into an apartment of her own.

Ms. Rodriguez had completed high school and one year of college, and needed no further preparation for the secretarial/word-processing course in which she enrolled at the CEOSC. In November 1988, she completed this course, and began a temporary appointment on a keyboard specialist for an office of the New York State Department of Social Services. She is preparing for the Civil Service examination in February 1989, which should allow her to gain a permanent appointment. In the meantime, Ms. Rodriguez' wages have been sufficient to close her family's PA case, an accomplishment of which she is justifiably proud.

Broome Keeps Pace Via Education

(continued from page 1)

[redacted]

ents to achieve their full potential. The PACE program gives participants a chance to compete for jobs and eliminate prolonged dependency on welfare."

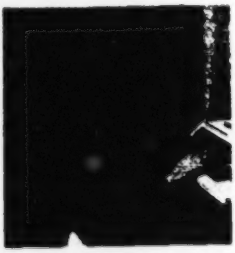
Expressing the value of PACE to Broome County, Commissioner Sanfilippo said:

"Through our joint planning and close working relationship with Broome Community College, we've adopted a State program with State financial support that will help social services recipients become self-sufficient and enjoy a higher quality of life within our community."

The college perspective was provided in Dr. Defew's remark:

"Community colleges must continue to address the needs of an eclectic group of first-time students. Non traditional students continue to swell the ranks of incoming freshman classes and programs like PACE are necessary to help these people succeed."

All agreed that the 127 public assistance recipients enrolled in the Broome Community College PACE program face a brighter future as a result of their participation.



Evelyn Rodriguez, having successfully completed a secretarial/word processing course at the National Puerto Rican Forum CEOSC, is now employed as a Keyboard Specialist for the New York State Department of Social Services.

ATTACHMENT III

SMALL BUSINESS DEVELOPMENT
PROGRAM DESIGN
SUBMITTED BY
ACCORD, CORPORATION

Small Business Development Program Design

This discussion of the Small Business Development Program (SBDP) is divided into three components: first, the initial project as it was designed, including a brief history, the partnership, and the resultant project; second, the program as it evolved with experience (This will include some program operating detail, the partnership influences, and the resultant changes.); and third, a discussion of this type project in the broader context of its role in a local economic development strategy and as a potential model for duplication.

The initial project grew out of a series of meetings of the Allegany County Training Consortium (ACTC). This group formed in 1985 to coordinate economic incentives to two plant expansions in the area. (See Attachment A for membership listing.)

With the group's success in this area and a clear example that coordination and cooperation is essential, we moved ahead to focus our attention on other employment and economic problems. One concern that arose immediately was the general lack of support to small businesses (under 20 employees), which were the dominant business type in a rural area such as Allegany County. Further, these small businesses were less apt to be informed of what might be available through existing employment and economic development and support services. In response, two county-wide small business seminars and ongoing information-sharing groups have been developed.

As a result of our continuing work with small businesses we identified an interesting subgroup of microbusinesses that periodically received public assistance to supplement their self-employment. Three agencies took the lead in working with this group: Allegany County Department of Social Services

Small Business Development Program Design (continued)

(ACDSS); Allegany County Private Industry Council (ACPIC); and Allegany County Community Opportunities and Rural Development (ACCORD) Corporation, the county-wide Community Action Agency. A business day was planned, and the businesses identified through the public assistance caseload were encouraged to attend (15 of a caseload of approximately 25). From that meeting a clearer understanding by all parties, agencies, and businesses alike led to the beginning of the Small Business Development Program.

Clearly two major problems needed to be addressed by any program. These were common to any economic development effort:

1. Capital development; and
2. Business operations and vocational/skill improvements.

However, the situation of our clientele and their periodic reliance on public assistance for support placed unique regulatory obstacles to their becoming self-sufficient. They were caught in a unique "Catch-22". The public assistance regulations required that any earned income be reported and this used as a deduction from any monthly benefit. There was no allowance for re-investment in tools, equipment, or other items that would assist in their businesses' becoming self-sufficient. This was further compounded by the difficulty of applying existing JTPA funds to enhance self-employment capacity through improved business skills.

Finally, as all of the businesses were currently operating, the program would need to allow for their business operations needs to service clients or generate inventory.

First, the local Community Action Agency (CAA) was designated to take the lead in developing an approach identifying resources to address the problem. As a private non-profit geared toward grassroots approaches, and with experience in operating fee generated services such as housing management and day care services, considerable in-house expertise in business operations was available. The CAA

Small Business Development Program Design (continued)

sought funding through the Demonstration Partnership Program and was subsequently funded in September of 1987 to research and demonstrate a program to address this unique situation.

The initial program was to involve three cycles of eight participants identified by ACDSS. The Private Industry Council was to provide intake, business development and support services, capital management, funding sources linkages through daily contact with the program, and a small revolving loan fund. The first cycle of participants brought about three clear pressures to modify the program.

1. Strict adherence to a six-month program was difficult. Participants entered with a variety of businesses at different stages of development, with different needs to achieve self-sufficiency. Some needed only minimum support, and others required participation for at least a year.

2. A more effective means of supporting the funding and developing the business was to allow income generated to be sheltered and managed by the CAA for re-investment. This provided a direct incentive to generate capital and provided a secure income during participation in the program.

3. Because of the diversity of businesses and their nature (generally labor intensive, such as chore services, forestry services, handyman, and so on), the CAA needed a much better knowledge of local markets to assist in moving these businesses toward self-sufficiency.

The project evolved and modified to meet these areas. First, participants were graduated as they became ready. Generally early graduation indicated a need for better budgeting and identification of a supplemental ancillary market to bring in additional income. Quicker graduation from the program meant less time for capital accumulation, so revolving loan funds were used for approved re-investment. Those participants requiring longer time based on a reasonable business plan were kept in the program. New participants to the program still entered in the pre-established six-month intervals for three cycles.

The second major modification to the project involved the means of support to the families during their participation. Because income generated was to be

Small Business Development Program Design (continued)

turned over to the CAA for controlled re-investment based on a business plan, this provided an incentive to participants without the penalty of recoupment from the public assistance system.

Finally, the CAA undertook a market study to identify "niche" markets for our participants to service. With assistance from our local university and economic development office, market knowledge was brought together to fine tune our participants.

As we enter the third cycle of our participants in the project one major problem is apparent. As the graduation from the program has become staggered yet its entry remained on cycle, a clearer long-term involvement or second stage needs to be developed. In one way this can be addressed by the project. In a broader context it needs to be addressed in terms of the project's role as it relates to overall small business support, first, in terms of how the project has addressed the need. All of the businesses entered the project generating some income relative to the public assistance benefit. Thus, they all needed different dollar amounts to become self-sufficient of the public assistance system. In many cases our businesses had found markets that they had saturated or that their skills had exploited to the fullest extent. For example, our two-cycle repairman, who could only repair lawnmowers, was subject to the obvious seasonality of his business. His skills and knowledge needed to be broadened to include the full range of two-cycle machines, including chain saws, snowmobiles, snowblowers, and so on. The training to accommodate his expansion into these areas may take 18 months but should produce a business service broad enough to provide a year-round income. In short, a project if it is to be duplicated needs to recognize the true length of time necessary to fatten some small businesses. The current length of the project needing extended support for second and third cycle participants will be unavailable. This factor needs to be heavily

Small Business Development Program Design (continued)

weighed in making recommendations for duplicating the project or in the context of where these businesses fit into an area's overall economic development efforts and support.

Finally, I would like to take the liberty of summarizing the project and recommend some essential components necessary to insure the success of future efforts in low-income entrepreneurial development. First, from the vehicle or lead agency point of view, from its inception this type project was recognized as needing a unique expertise, flexibility, and approach that is generally not available in public agencies. The need to manage capital of a variety of businesses, establish expertise, and involve low-income individuals and businesses requires a flexibility and operating style that invests individuals in the discussions and directions of the program and their business efforts. A community based non-profit agency offers the best mix for success.

Another major area to address is the need to offer the program to categories of participants beyond those solely on public assistance. Although these are a significant subset for participation, dislocated workers and individuals with incomes nearer to those income levels of eligibility for JTPA programs offer a wider pool of potential applicants. This is necessary to tap the diversity of available local markets and provide small business services to the unserved population.

Operationally, any duplication of this program should allow for the different levels of services needed by individuals. Some are in need of short-term support, for others a longer start-up may be necessary, providing not only small business training but increasing the business' scope through vocational training. Further, services need to be tied to benchmarks achieved by the business indicating the feasibility of the business and the commitment of the owner. For example, income sheltering for six months greatly assists the capital re-investment of the indivi-

Small Business Development Program Design (continued)

dual into his business, but probably will not meet all capital needs. A revolving loan fund needs to be available to supplement earned capital and used as the business shows continuing evolution toward self-sufficiency. These revolving loan funds need to be sensitive to small loan needs, under $5,000. Currently lending institutions in our area require a minimum loan of $20,000, beyond the reach and need of current clients. Even state and federal lending sources generally require minimums far beyond the needs of our clients. Its one of the ironies of our system that you can't seem to get a "little" assistance.

Finally, any program design needs to be part of an overall economic development activity of an area. The current system of economic development combines a wide variety of incentives to produce jobs in assisting expansion or attracting bigger businesses through two incentives, JTPA and economic development funds. These incentives are rarely able to be extended to the small business in any form. In many cases these small businesses provide resiliency to an economy and are able to capitalize on tertiary service markets created by overall economic improvements. This recognition and willingness to address true small business needs was apparent in the early efforts of the Allegany County Training Consortium and continues with the various agency involvement of our current Demonstration Partnership Program.

Program Design Summary - Demonstration Partnership Program

The final area to be addressed is how our particular project utilized resources within the Demonstration Partnership Program and recommendations as to how future Demonstration Partnership Program might be enhanced regulatorily by modifications in the statute. Our particular project was funded under the first round of the program. Five projects were funded nationally for varying periods of 12-24 months.

Program Design Summary - Demonstration Partnership Program (continued)

Of first concern is the length of projects. Most research and development programs require a greater period of time to test the validity of their approach, particularly as the partnership brings together unique combinations of resources, often from several agencies and sources. In our particular case results will be limited to information generated in an 18 month program. This limits our ability to draw conclusions of longer range impact and longer range or secondary needs of participants. I would recommend a project duration of five years including third party evaluations.

The current program also lacks an adequate mechanism for dissemination and duplication of successful efforts. Current regulations require a third-party evaluation and production of a report and findings to HHS/OCS. There are currently no clear fundings or methodology to replicate successful models. A training or technical assistance or other mechanism needs to be developed to identify, implement, and evaluate successful models nationally through the community action network. Adequate funds need to be set aside within the DPP for this effort. Three rounds of funding have been solicited, with a growth of program models in a variety of areas. Information from successful and unsuccessful projects needs to be better disseminated to insure better program judgments in developing local projects.

Currently there are major revisions of the nation's welfare system being drafted through regulations. The results from projects funded through the DPP need to be linked with the development of regulations workable in defining and achieving self-sufficiency. As HHS is currently responsible for drafting these regulations, knowledge learned from their own development program needs to be taken into account. Our particular project raises questions regarding definitions for employment versus self-sufficiency, income sheltering, and business resources. To my knowledge this internal coordination of results does not happen within HHS.

Program Design Summary - Demonstration Partnership Program (continued)

The challenge of establishing a unique local partnership testing new hypothesis and in some cases serving new low-income populations requires an easier mechanism within the program to grant waivers of regulations. Many of the programs, such as ours, have not simply tested a new approach but have further challenged regulations that impede the transition of families to self-sufficiency. If we are truly to learn if new approaches or ideas are superior to the working system, then waivers allowing these tests and challenges used need to be expedited and forthcoming to further our research.

Finally, the program needs to maintain its approach of utilizing CAA's as the catalyst and core to change. The "grassroots" philosophy of CAA's, their commitment to involve low-income persons in their own solutions, the flexibility and ability to bring other resources to various projects, all lend naturally to the success of partnership programs. Further, the day-to-day contact of CAA's with systemic barriers to participation or self-sufficiency of families means they are best able to identify problems and outline solutions and to offer the opportunities and tools to allow low-income persons to participate in their future.

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Attachment A

ATTACHMENT IV

Entrepreneurial Development for Public Assistance Recipients

David Szczerbacki
Alfred University

Michael Mogavero
Alfred University

February 1989

ABSTRACT

This evaluation report focuses on preliminary results of a federally funded program supporting entrepreneurial development among public assistance recipients. In 1987, the "Small Business Development Program" was funded as one of five demonstration projects nationwide by the U.S. Department of Health and Human Services Demonstration Partnership Program. The Program is sponsored by ACCORD Corporation - the Community Action Agency for Allegany County, New York. Three topics are addressed in this status report: (1) a description of various barriers facing public assistance recipients as they pursue entrepreneurial activity; (2) a description of program elements and activities; and (3) presentation of preliminary evaluation results.

THE PROBLEM

The Small Business Development Program (SBDP) was initiated in recognition of the fact that public assistance recipients face at least five barriers in their efforts to achieve economic independence via self-employment activity. These barriers, discussed below, provide both a challenge and an opportunity for those entities (e.g. Community Action Agencies, Departments of Social Services, Private Industry Councils) interested in breaking long term patterns of welfare dependency.

Regulatory Barriers

At the outset of the SBDP, two major regulatory barriers existed to self-employment activity by the target population. First, a major disincentive to self-employment is the fact that earned income is offset by proportionate reductions in public assistance payments. Since it is very difficult to capitalize a small business when more basic matters of subsistence are at stake, entrepreneurial initiative is often stifled. Second, training dollars available through the Job Training Partnership Act (JTPA) flow to employers. Those seeking self-employment related training and those potential providers of such training have not been able to access such resources. In addition to these two barriers, additional regulatory concerns surfaced as the SBDP program moved to implementation. For example, program participation has required full client disclosure to SBDP staff of personal financial information. Disclosure has, in some

instances, triggered the need to comply with "bonded mortgage" regulations of the Department of Social Services.

In a more subtle fashion, the regulatory system, per se, has provided obstacles to program success. While often administrative in nature (see Administrative Barriers, below), the very ambiguity of a multi-layered system has continually challenged the programming skills of SBDP staff and ACTC members alike.

These regulatory barriers demand a variety of responses including: waivers from New York State Department of Social Services (and perhaps federal HHS), advocacy and conflict management skills from SBDP staff in clarifying participant rights and responsibilities, and creative programming - finding alternative means for delivering business development program elements such as financial support or personal development.

Technical Business Skill Barriers

Many public assistance recipients have innovative ideas for business activity in the sense that they have a business concept in mind - they perceive of or have acted upon an opportunity for increasing the yield of factors of production at their immediate disposal. Indeed, self-employment generated income as reported to income maintenance personnel was one factor which led to interest in creating the SBDP. Such individuals, however, are typically pre-entrepreneurial. They lack the technical skills needed for identifying and marshalling these factors in any sys-

tematic fashion. In some cases, this deficiency is represented by the need to develop a market focus. For many, the challenge may be a matter of coping with the nuances of bookeeping, accounts payable and receivable, internal revenue service requirements, permit applications, and zoning requirements. For most, the sort of business planning required to pursue financial assistance from either public or private sources is simply beyond reach. (Drucker, 1985)

Such technical business skill barriers created a number of challenges for the SBDP. As discussed below, (see Personal Barriers), personal barriers often needed to be addressed prior to or in the context of skill development. In addition, program staff had to design a training and development regime which was limited by and responsive to a number of constraints: time, the need of participants to be working in their business, the need for and nature of lecture-type instruction, the need for and nature of individual business counseling, and the availability of trainers.

Capital Barriers

Like most business start-ups (Luke, et.al. 1988, p. 79), self-employed public assistance recipients face problems of cash flow and working capital. However, this population faces an inability to obtain fiancing from conventional sources. Such individuals generally lack personal assets for collateral, have poor credit histories and, as noted above, lack the sophistica-

tion needed to access capital from conventional sources. Moreover, public assistance regulations have limited allowable personal assets limited to $1,000 and have limited "income disregards" for investment, depreciation, travel, and promotion.

As with other barriers discussed in this section, the challenge of responding to capital barriers is interwoven with other barriers. Developing the capacity to access conventional sources of financing or, for that matter, to self-finance seemingly incidental items (e.g. truck repairs, start-up inventory) demands skill in conceptualizing and prioritizing business needs. Particularly problemmatic in this regard is the undisciplined approach which participants often manifest relative to personal finances per se and to making the distinction between personal and business assets. In many cases this lack of discipline stems from a poor understanding of household budgets - a problem rooted, perhaps, in the way(s) in which welfare dollars are distributed.

Relative to the lack of discipline is a phenomena which SBDP staff have come to label as a "hand to mouth" culture. In addition to working against efforts to foster individualized business investment strategies, this orientation has posed administrative challenges to SBDP staff relative to efforts to track participant (business) revenues.

Personal Barriers

Long term public assistance recipients are typically

distrustful of "the system" - government agencies, banks, insurance companies, etc. In addition, such individuals often lack self-management and self-confidence in their efforts to become participants in the economic system. In some cases recipients carry psycho-social baggage in their efforts to free themselves from the welfare system. Problems of illiteracy, substance abuse, and domestic turmoil may limit one's ability to pursue legitimate self-employment activities. For single parent householders, finally, inability to access child care limits self-employment activity.

The challenges faced by SBDP staff relative to such personal barriers have largely been defined in terms of reconciling the conflicting personal demands and limitations of participants with their entrepreneurial efforts. Note that such reconciliation may compromise one or both sets of interests. Moreover, these personal barriers also tax the resources and counseling skills of SBDP staff.

Administrative Barriers

Federal, state and local efforts to support business development activity tends to be quite diffuse. For public assistance recipients, poor integration of employment and training services is compounded by the fact that these services must be coordinated with an array of social welfare delivery systems. Thus far, the evidence indicates that this coordination generally does not occur. (Burghardt and Fabricant, 1987, Ch. 8; Levitan & Gallo, 1988, Ch. 2)

In the case of such administrative barriers, SBDP staff have needed to learn the nuances associated with a world of micro-level regulations and localized policy systems and sub-systems. While these systems (e.g. County Department of Social Services, PIC) have clearly been supportive of SBDP at the leadership level and no-less than benign in their support at sub-leadership levels, long standing administrative routines and personnel dispositions have proven problemmatic.

THE PROGRAM

Sensitivity to the types of barriers indicated above has not been part of current discussions of welfare reform. Attention has centered on preparing people for work, per se. (Levitan, 1987) A programmatic response at the national level to facilitating self-employment opportunities for public assistance recipients is not part of current policy debate. Innovative programs have emerged, however, at the state and local level. (Gould and Lyman, 1987; Kanahele, 1981). The program described below describes one such effort.

As the result of income reporting requirements for public assistance recipients in Allegany County, New York, the Allegany County Training Consortium (ACTC) became incresingly aware of the barriers noted above over the 1986-1987 period. ACTC includes representatives from Allegany County Community Opportunities and Rural Development Corporation (ACCORD), the Allegany County Department of Social Services (DSS), the Allegany County Private

Industry Council (PIC), the Allegany County Office of Economic Development, the New York State Department of Labor, the Cooperative Extension, and representatives from various vocational and higher educational institutions in the area. As a result of this awareness, ACCORD Corporation (the designated community action agency in the county) applied for and received a $160,000 demonstration grant from the Department of Health and Human Services (HAS) in 1987. The remaining membership of the ACTC agreed to provide in-kind support services as well as overall policy guidance. The grant funds were to be used to staff the Allegany County Small Business Development Program (SBDP). Three staff persons were to be hired with program funds for two years.

The SBDP program was established on the basis of two major hypotheses: (1) the program would be effective in enabling low-income persons to achieve stability and economic self-sufficiency by accessing, organizing and promoting available resources; and (2) community action agencies such as ACCORD have distinctive capacities to take localized action in orchestrating welfare reform.

The SBDP program consists of three training cycles - eight persons per cycle, six months each cycle. First cycle and second cycle participants have completed their formal program. Initiation of the third cycle has only recently begun.

SBDP staff activities include six basic elements: generation and assessment of the candidate pool; selection of those who may benefit from the program; development of individualized pro-

grams; monitoring the progress of program participants; assisting in the transition to self-sufficiency -- especially through capital development; and, program administration. The program activities are based upon a close working relationship between clients and staff. Training activities include a series of eight technical workshops as well as intense one-to-one counseling. A criticial feature of the program is that revenues generated by incipient business operations are turned over to ACCORD and placed in a revolving loan fund. In addition, a pool of $3,000 per cycle has been made available to provide a revolving line of credit not to exceed $500 per participant at any one time. Clients are to have access to such funds based upon needs identified in a bona fide business plan. Revolving loan funds are managed by a special loan committee. Line of credit funds are made available at the discretion of SBDP staff. Moreover, public assistance benefits of program participants are not offset by revenues generated by business operations.

A rural county located in southwestern New York state with a population of approximately 50,000 persons, Allegany county's economy can best be described as mixed. Activity is dominated by a handful of major industrial employers, agricultural activity, and services. The two largest industrial employers in the economy (both Fortune 500 affiliates) have experienced expansions in the last 24 months. ACTC assumed a leadership role in spearheading public sector efforts to facilitate these expansions.

EVALUATION

Self-Sufficiency

Achieving client self-sufficiency depends, in large part, on the extent to which various barriers to self-employment are addressed. To this point, the program has met with mixed results in addressing these barriers.

Regulatory barriers have, on a macro level, been addressed quite successfully. Satisfied that income earned from incipient business operations was to be placed in a revolving loan fund, DSS agreed to continue to provide the full amount of eligible public assistance per client. The fact that this waiver was executed at the local level is perhaps a product of the cooperative working relationship that has existed for some time among local developmental entities through the ACTC.

It should be noted that the County DSS provided such clearance based upon verbal approval from state officials. Indeed, the County has assumed some degree of risk in agreeing to the income sheltering provisions of the SBDP.

Regarding the use of JTPA funds to support training of self-employed individuals, an initial agreement was reached between ACCORD and the local PIC to treat program participants as ACCORD staff with ACCORD receiving JTPA funds as the employer. Since this proposed arrangement caused concerns about liability and contributed to program overhead costs, an alternative arrangement was sought. The solution has been to treat the program participants as "trainees" and ACCORD as a bona fide training

organization - a very non-traditional role for a community action agency. In essence, ACCORD is acting as a vendor of training services. As was the case in the agreement with DSS, noted above, the cooperative culture among local entities appears to be a factor in reaching this agreement.

Access to capital has emerged as perhaps the critical barrier for Cycle 1 and Cycle 2 participants. Moreover, timing of skill development, business planning, and capitalization is both critical and challenging. There has been, for example, pressure to capitalize activity in the absence of fully developed business plans or without exposure to the full range of development activities. Based upon their experiences with Cycle 1 participants, ACCORD staff recognized the need to identify operational barriers and individualized action plans per business at a much earlier date. In retrospect, first cycle participants were allowed to drift somewhat in their developmental activity while ACCORD staff tended to the business of getting a brand new program off the ground. In contrast to Cycle 1, SBDP staff are now disposed to address critical capital needs as soon as possible in a program cycle. Indeed, capital expenditures were made for the majority of Cycle 3 participants prior to the Cycle's first training workshop.

With respect to technical business skills, ACCORD staff feel that they initially assumed too much about the capabilities of clients. Following Cycle 1, their attitude became one of to "not assume anything" about skill levels of program participants.

Significantly, what has emerged is an on-going tension between two development approaches. Initially, technical skills were to be developed through a package of general workshops. Based upon these lectures, participants would apply relevant concepts to their incipient operations. Considerable emphasis was placed on experiential learning or "learning by doing." Staff acted as facilitators, coaches or counselors.

The second basic model, which emerged by the end of Cycle 1, might be termed the counterpart approach. In this model, staff become much more directly involved in initiating management tasks (e.g. initial contacts with insurance companies, prospecting for site locations in the community, creating a cash budget). This model assumes that entrepreneurial capacity will be developed as participants emulate the behavior of staff. The risk with this approach, however, is that a dependency relationship will be built up between the staff and the client thus jeopardizing both the integrity of the program and the long-term self-sufficiency prospects of participants.

The tension between these two different models has surfaced as one of the basic issues of the program. Staff seem to be quite sensitive to this tension. Currently, there is a sense that the experiential learning approach does not seem to work right away. An emphasis on the counterpart approach seems to be more important initially for two reasons. The first relates to the point noted above regarding the importance of getting the business to an operating mode as soon as possible. The second

factor stems from the notion that trust flows from the counterpart approach. Individual initiative in skill development, the essence of the experiential learning approach, might well flow only after this sense of trust is created. In addition, it is worth noting that the dependency relationship created in the counterpart model may be quite different from the dependency relationship which public assistance recipients typically have toward the welfare system, per se. As noted above, the former form of dependency is based on trust and reciprocity. In the latter case, dependency is based on administrative expediency and indifferent or ambivalent compliance with the letter and spirit of public assistance programs.

From the perspective of clients, there is a sense that both of the training modes outlined above are valuable. Interviews with Cycle 1 participants indicate that by in large all participants have received something of value from the seven technical workshops held to this point where value is defined in terms of the immediate relevancy of a particular technique or concept to one's business. Correspondingly, participants have strong praise for ACCORD staff as problem solvers, as collaborators, and as initiators of action.

One negative comment which surfaced from the majority of Cycle 2 participants at the time of their eighth and final evaluation workshop, however, was that they had little appreciation of what constitutes a business plan - either conceptually or in the case of their own individual businesses. This comment

suggests the negative consequences of an emphasis on the counterpart training mode. It also suggests that technical workshops may lack a proper "grounding" in the context of individual businesses.

Sensitive to such flaws, SBDP staff initiated an intensive three session orientation program for Cycle 3 participants. These sessions have been held prior to the technical workshops.

Two additional skill issues which have surfaced among Cycle 1 and Cycle 2 participants are worthy of mention. First is the fact that participants appear to have difficulty in conceptualizing their business problems and opportunities. They appear to be very micro-oriented rather than strategic-oriented. One example of this "hand-to-mouth" approach, has been the inability of participants to manage credit lines with suppliers of individual businesses. ACCORD staff have noted that having a credit line in place merely perpetuates this approach. In response, staff have initiated a requisition system during Cycle 1 to encourage forward thinking (e.g. expense checks will only be cut on Wednesdays and only where approved requisitions are in place). The second technical skill issue is that participants have thus far demonstrated an inability to value their own time. Participants are thus at a competitive disadvantage in pricing jobs, charging for services rendered, or in taking on jobs which are within their capacities. While all participants do have cash flow budgets in place, problems such as this indicate that the operational control value of cash budgets needs to be emphasized further.

With respect to personal barriers, ACCORD staff realized early on in Cycle 1 that resolution of personal problems often needed to take precedence over business development tasks. While this was a time consuming task, it would appear to be a necessary component of programs of this sort. Unfortunately, ACCORD staff were not always fully aware of the existence of such barriers. Caught off guard by "surprises" related to the personal affairs of a participant, ACCORD staff have on occasion had to devote inordinate amounts of time to particular clients in order to keep such projects on track. Consequently, Cycle 2 and Cycle 3 participants were selected with a very close scrutiny of psychosocial factors. While skills of applicants and the nature of the proposed or incipient business are still important factors, staff now feel that these technical factors need to be balanced by an assessment of personal barriers. It is also significant to note that the SBDP program has been successful in accessing funding to support hiring a "case manager" to address the challenges associated with participant personal barriers.

As noted above, the existence of the ACTC provides an institutional basis for achieving integration among relevant service providers. As the discussion of regulatory barriers suggests, there is evidence that this integration is occurring. Three problems, however, have surfaced in this regard. First, evidence exists that intake interviewers from DSS, PIC, and the Department of Labor were not fully involved in the Cycle 1 participant selection process. Interviews with these individuals suggest

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that they were not fully cognizant of their role in the SBDP program. The key point in this regard is that while the leadership of these agencies was committed to the SBDP program via ACTC, staff level integration with the program had yet to occur. Fortunately, these interviewers played a much more active (and valuable) role in the Cycle 2 and Cycle 3 participant selection process.

A second service provider barrier which has surfaced is the apparent lack of market studies which ACCORD staff might be used to either make participant selection decisions or to render guidance to incipient operations. Filling this service gap has surfaced as an unexpected and somewhat intractible problem. Currently, the SBDP is working with a local university to address this problem.

Third, there is considerable evidence that inter-agency linkages are deficient between SBDP program elements and the County Department of Social Services staff. As, for example, Cycle 1 and Cycle 2 participants have approached "graduation" from the program, inevitable questions of defining "self sufficiency" have been raised. SBDP staff have faced difficulties in getting clarification of such status. Moreover, in pursuing this matter, staff have discovered misunderstanding, lack of awareness, and, in some cases, indifference toward the program from income maintenance workers.

While all parties in question are moving to deal with such administrative barriers, the example noted above depicts the

difficulty in anticipating and resolving the "details" of inter-agency driven program implementation.

Agency Capacity

Two facets of community action agencies such as ACCORD have surfaced thus far to indicate that such agencies may well have unique capabilities to orchestrate innovative reforms in the context of the welfare system. The first of these factors has to do with the basic client orientation which CAAs have historically held. It is an orientation based on advocacy, empathy, and empowerment. While further research needs to done in this regard, this orientation appears to remain a driving force of CAAs. Note that this orientation may have an aversive side. Carried to an extreme it may lead to an inability of SBDP staff to terminate participation of clients whose needs and/or dispositions are inconsistent with program goals. Further, unbridled advocacy always raises the potential for dysfunctional inter-organizational conflict.

The second capacity related factor is that CAAs are essentially organic organizations. Assuming that agency leadership exists, such agencies have the flexibility to respond creatively to program barriers. With access to a network of funding agencies and service providers, CAAs are well equipped to institute reform at the local level. This flexibility is enhanced, in part, given the relative degree of "distance" CAAs are able to establish and maintain from the structure of local

government. Flexibility and access are significant in marshalling resources in response to the unique needs of individual entrepreneurs.

Summary and Direction

This report has provided preliminary "process evaluation" data relevant to an innovative effort to foster entrepreneurial development by public assistance recipients. Focus has been on the relative success of the SBDP program to address barriers to entrepreneurial development to this point. The final evaluation report will address effectiveness of the program following the completion of all three program cycles. It should be noted that longitudinal studies of participants are planned (and underway) following their "graduation" from the program. It should also be noted that part of the evaluation includes an incremental cost benefit analysis. To assess the true nature of the worthiness of the project from an economic and resource allocation point of view, this study will be the most appropriate vehicle. Additional benefits that accrue to the participants of the program will be identified as will the additional cost of actuating and administering the program. A preliminary "outcome evaluation" in this regard has been prepared under separate cover.

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An Evaluation of the Benefits and Costs of the Allegany County Entrepreneurial Development Program

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Introduction

It is important to realize that an evaluation of the effectiveness of the program needs to carefully define outcomes. There are many measures of benefits and costs that are quantifiable but, surely, there are at least as many benefits that resist accurate quantification. Both are important to address in the evaluation component but may not carry equal weight, at present, because of the availability of data.

At this early stage of measuring outputs of the program, much of the evaluation effort need to be directed toward developing a reliable system of analysis. This effort includes the determination of the variables that are most important for influencing the success (or failure) of the program and to what degree these factors are important. Not all lessons can be determined with certainty from the evaluation of one program, but these cases may be of significance, when combined with the evaluation components of similar projects. For example, success rates of candidates may be found to be less likely in entreprenurships that rely heavily on an initial influx of financial capital which is considerable in size.

Some measures, on the other hand, provide useful information even with the evaluation of just one program. These measures, we will argue are not static within one program or among programs, but can be expected to change over time and may also change as the program is replicated in other areas. That is, the outcomes

of a program are likely to be more successful if the programs have been constructed by building on the lessons learned from pilot projects such as the Allegany County Small Business development Program. (SBDP)

Therefore, there will be two major concerns in this portion of the preliminary evaluation of the outcomes. The first will be to define a feasibility function. This feasibility function will attempt to highlight the most significant factors that tend to lead to the success of a prospective candidate. The second effort will be to begin to quantify the outcome (success) of the program based upon the progress of the first cycle candidates.

Methodology

It is important to realize that any of the long term benefits of the program will be difficult to determine with accuracy at this time. There are several reasons for this. First, until recently, only one cycle of graduates has completed the program. The data available that can be used to forecast the likelihood for success of these businesses is based on only nine months of reporting of income and expenses of running a business as well as personal financial conditions of the individual participants.

Second, data on the second cycle participants is very preliminary since they have graduated from tthe SPDP only recently. Thirdly, second cycle participant's revenues are heavily subject to seasonal influences. That is the last two

months of reporting (January, February 1989) were after the holiday season - a traditionally slow period for retail and service businesses.

In lieu of determining a feasibility function at this time, efforts will be made to forecast the likelihood of the program producing the successful results that it hoped to demonstrate. In particular, at this point in time, emphasis should be based on determining the degree to which the program has produced self-sufficiency for its participants.

The foremost challenges in assessing this objective are, first, to develop a forecasting tool that can project the likelihood of self sufficiency based upon the profitability of the business that has been created. The second is to test the reliability of that instrument. If the forecasting methods reflect self-sufficiency for certain individuals and if these individuals are demonstrated in fact to be self-sufficient, the forecasting tool can be relied upon to a greater degree to project the probability for self sufficiency for those in the second and third round. Since the size of the population is not sufficiently large enough, the results may not be said with certainty, but still strong inferences can be made about the expectations for success.

I. Self Sufficiency

For the purposes of this study self sufficiency will be

defined as ineligibility for the the majority of public assistance that a participant was previously receiving. It is important to realize that a person in this program can still be receiving some forms of public assistance and deemed self-sufficient for the purpose of gauging success. This is a necessary and reasonable assumption to make because a person is still eligible for some forms of public assistance even after finding employment.

II. Assumptions

Because of the short time and small size of the population, it will be necessary to make several simplifying assumptions in order to forecast the potential instances of self sufficiency. First, in the absence of seasonal factors, it will be assumed that the rate of growth of revenues can be expected to be constant throughout the first twenty months of the program and equal to that forecasted from the first nine months. In addition, the assumption of a constant returns to scale production function will be employed. This will assume that costs can also be expected to increase at a constant rate, equal to the rate forecasted from the first nine month's activities, as output increases.

III. Hypotheses

If revenues from business efforts exceed costs of operation and the opportunity cost of the loss of public assistance benefits ie. the business produces economic profits, a person can

be deemed to be self-sufficient. The hypothesis to be tested here is that this will occur at some point in the future. The twentieth month of the program should give ample time to the participant to determine whether the venture embarked upon will be feasible in an economic sense. Again this may not be statistically significant to allow for seasonality for the particular business, but outward signs of success or failure should be clear by that time.

An intermediate hypothesis is that the data that the forecasts present about the feasibility of a business will predict instances that have already occurred. That is, if the forecast is for profitability after nine months, and the person is self sufficient in the twelfth month, then it can be deemed at that time that the forecast was predictable. If valid, then the use of this technique is useful in determining the feasibility of marginal operations or operations that are too early in their life (second and third cycle participants).

IV. Initial Results

Three of the first cycle participants in the program are self sufficient as of this writing. The are Hill, Meyers and Cross. Two participants were unsuccessful (Distrola and Bryant), and two businesses are marginal (Lamper and Hobson) at this point. This represents a 43% success rate for the first cycle participants.

This success rate is likely to grow. It can grow for two reasons. The first is that some of the first cycle participants

who are not as yet successful, may become so. The second is that the lessons learned by the staff of the program form the first round participants are likely to result in the selection of candidates that are more likely to succeed. In addition, some modifications that were made in the running of the program (detailed elsewhere) will account for higher success rates in subsequent rounds.

The outcomes, therefore, at this point seem very promising. If this success rate can be sustained and grow, the benefits of the program will be significant in terms of the development of human capital and the cost saving that the program provides. It is too early to attempt to quantify these results, but they represent a promising return at this point.

These outcomes are evident but also could be predicted if one looks at the rate of growth of profits for each of these businesses for the nine months that they were participants in the program. (see Figure 1).[1]

The lines in figure 1 are linear regression trend lines that portray the movements in profits for each of the businesses. It can be noted that the successful businesses are those with positive slopped trend lines.[2]. These of course, indicate a pattern of growing profits and hence, a business that has the ability to be self-sustaining.

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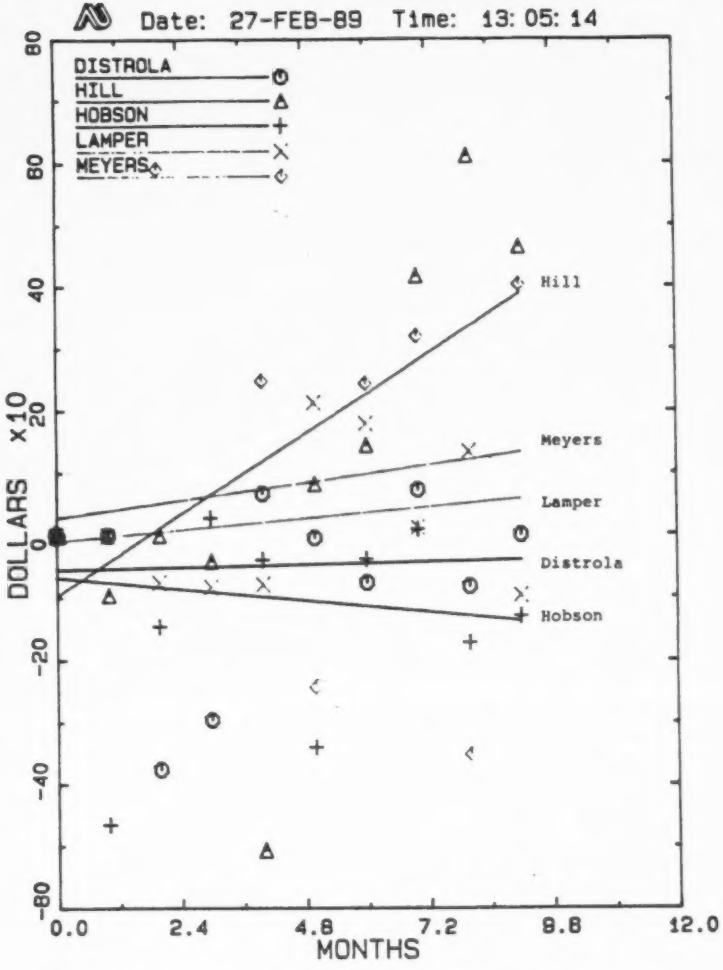
[1]Data is not available for participants Cross and Bryant at this time

[2] If the data for Cross was available, a positively slopped line would be appropriate for his business also.

FIGURE 1



SBDP RECEIPTS LESS EXPENDITURES FOR PERIOD 1

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But while a trend of growing profits represents a necessary condition for success, it is not a sufficient one. Since the program is designed to assist incipient businesses, initially profits are low and likely to increase as they formalize operations and participate in the program. There can be and should be some growth for these reasons. But the growth must be projected to be more than moderate for a business to be successful. Note the moderate positive trend for Hobson and Lamper. These are two firms that have not achieved self sufficiency at this time despite having moderately positive slopped trend lines.

No projections will be made for the twentieth month, at this time, but there seems to be significant evidence to suggest that our intermediate hypotheses is correct with some stipulations. That is, based on nine months we can project to the twentieth month and determine whether businesses will be successful. The nine month data about Hill, Cross, Meyers, Bryant and Distrola clearly bears this out.

There is one caveat that must be made and is an important departure from this thesis. It is, that this thesis is only true only when there are no significant seasonal influences. Preliminary findings from the second round suggest that this prediction can not be made because the last two months that were reported were ones that occurred after the holiday period. This is a time that is traditionally slow for most businesses.

At the next writing, more data will be available about the outcomes of the second and third rounds. We will be able to make more concrete evaluations about the feasibility of the program and the prediction tools that will assist in gauging its success.

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Mr. KILDEE. Thank you very much.
Professor Sum.

STATEMENT OF PROFESSOR ANDREW SUM, DIRECTOR, CENTER FOR LABOR MARKET STUDIES, NORTHEASTERN UNIVERSITY, BOSTON, MA

Mr. SUM. Thank you very much.

Our presentation this morning on the CLUB demonstration program will be shared by myself and Mr. Ostrower. The CLUB is an acronym for career and current Life United in Boston.

My remarks focus on four aspects of the program. The basic features are as follows.

The CLUB program is designed to provide an array of education, training, job placement, counseling and mentoring services to participants in the program. The program is targeted at 18- to 25-year-old Black and Hispanic males who have no formal schooling beyond high school.

The purpose of the program is to provide an opportunity for these young men to increase both their employment and earnings in a more substantive way than we have been able to achieve through single intervention programs for such men.

Unlike several of the previous speakers, the City of Boston does not find itself in an economic environment that could be described as basically bleak. The city has generated nearly 50,000 net new wage and salary jobs since 1983, with the bulk of those jobs being in professional services, health services and the like.

The unemployment rate for our city residents has fallen from 9 percent in 1982 to 3.2 percent in 1987 and 1988. Given that economic setting, you may ask what is the need for the CLUB demonstration program?

The need for the program stems from a variety of different sources. Among those sources are the fact that the city's changing industrial job structure has created a set of jobs that basically benefit those young men and women who have substantial amounts of formal education and has tended to have an adverse impact upon the earnings and employment of young men with no formal schooling beyond high school.

Even though unemployment has been reduced, family poverty in our city stands close to 30 percent and as high as 35 percent in our high-poverty neighborhoods.

What are the particular problems of young men, to put this program in perspective? During the last few years to supplement our understanding of what is taking place in the city there have been household surveys conducted throughout the city that examine the employment and incomes of people in families and households.

The results are the following: A 1985 household survey revealed that among young men 20 to 34, those without a high school diploma and those with only a diploma were able to work more often and more for weeks than their counterparts throughout the country.

The earnings on average for young men without a high school diploma were $7,500. The annual earning of high school graduates was slightly under 12,000. That last figure was only half as high as

that earned by college graduates and the earnings of Hispanic and Black males without college degrees are far worse.

Second, during 1967 and the first half of last year, my center conducted a household survey in the city's highest poverty tracks, which accounts for about one fifth of the City of Boston. Our findings for 18- to 29-year-olds suggested the following.

For those without a high school diploma, only four of every ten young men and women were working. Among those with only a high school diploma, only six of ten were working.

Those without a high school diploma earned only $6,800 during the previous year. Those with a diploma earned only $9,600, which is a figure again only about 40 percent as high as the annual earnings of college graduates from the same neighborhood.

The rationale for our program and its basic design is as follows: The employability problems of young people in Boston with limited formal schooling are quite diverse. There is no one single problem that they all face.

It is a problem of literacy skills, lack of schooling, absence of marketing skills and limited work experience. They need an array of different services if they are going to be prepared for the more higher-paying, higher-skilled jobs in Boston.

No single service by itself, 20 years of research has shown, can have more than a limited impact on their skills. Therefore, it can have more than a limited impact on their long-term earnings.

The demonstration is a demonstration. Three of the most important issues that the demonstration will try to address are the following.

Can we really arrange and coordinate the delivery of a diverse array of services needed by these young men?

Second, can we provide them with sufficient incentives and support services, including group activities and adult mentoring services to keep them in those multi-services long enough to enable them to acquire sufficient skills?

Third, can those services be shown to lead to more stable, year round, higher paying employment than the experiences of those young men who go through our traditional short-term, one-stop employment training programs?

At this juncture, let me turn it over to Jay to describe other facets of the program and the need for the DPP money.

[The prepared statement of Andrew Sum follows:]

The CLUB Demonstration: The Boston Labor Market Setting and the Rationale for the Program

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Committee on Education and Labor
Hearings on Reauthorization of the
Demonstration Partnership Program (DDP)

March 2, 1989

Introduction

The Men's CLUB Program is a demonstration employment program aimed at improving the long-term employment and earnings position of 18-25 year old Black and Hispanic males who have not completed any formal schooling beyond high school. The program is being administered by Action for Boston Community Development (ABCD), the city's Community Action Agency; however, the services provided to participants will come from an array of educational institutions (public and private), job training programs, private sector employers, and volunteer adult mentors. Our testimony is primarily designed to explain the need for such a program in the city of Boston today and the rationale for its basic design features.

The Local Labor Market Setting

The city of Boston's economy has experienced a strong resurgence in the 1980's, and the major effects of such growth have included a sharp drop in the overall unemployment rate of city residents. Since 1980, the city has added nearly 54,000 net new wage and salary jobs, with nearly 47,000 of them being created after 1983. As employment opportunities for city resident expanded, the overall unemployment rate fell sharply, declining from 9.0% in 1982 to 3.2% by 1987. The labor markets of the city of Boston and the Boston metropolitan area are clearly characterized by full employment conditions.

While aggregate unemployment problems have diminished in the city during recent years, not all groups of residents have benefitted equally well from this growth, especially with respect to their real earnings from labor market activity. During the 1980's, the bulk of the net new wage and salary job growth in the city has occurred in financial services, real estate, and private service industries, especially business services, professional services, and health services. In sharp contrast, the number of wage and salary jobs in the city's manufacturing industries continued to decline, falling by 15,000, or nearly 30%, over the 1980-87 period. This set of manufacturing industries traditionally had been a major source of employment for young males with limited formal schooling. Annual earnings from these jobs had enabled these young men to achieve an economic position that would allow them to marry and support families at incomes fairly well above the poverty line.

Several household surveys in the city of Boston and in its low income neighborhoods during 1985 and 1987 have revealed that younger male adults (20-34) with 12 or fewer years of school have been able to obtain employment more frequently and for more weeks than their similar-aged counterparts in the nation's 20 largest central cities (See Table 1). The annual earnings of these young male adults, however, have remained at relatively low levels, both in comparison to those earned by young men with some post-secondary schooling and to those earned by young male high school graduates and dropouts in earlier years. For example, during 1984, the estimated median annual earnings of young male dropouts (20-34 years old) was only $7,500, and male high school graduates obtained median annual earnings of only

$11,900, barely half as high as that obtained by similar-aged male college graduates. (See Table 2). Young Black and Hispanic males with limited formal schooling tended to fare even worse in the labor markets of the city at mid-decade.

Findings of a more recent analysis of the labor market experiences of young adults (18-29 year old men and women) in the city's low income neighborhoods revealed even more serious employment and earnings problems. Fewer than four of every 10 young adult dropouts were employed during the fall of 1987/winter of 1988, and only 6 of 10 high school graduates held jobs at the time of the survey. Both of these ratios were substantially lower than the 79% employment rates for young adults with 1 to 3 years of post-secondary schooling and the 100% employment/population ratio for college graduates.

Of those 18-29 year old men and women with 12 or fewer years of schooling who had been employed at some point during the previous 12 months, estimated annual earnings were again quite low. The median annual earnings of high school dropouts were under $7,000 while that for high school graduates was only $9,600. Both of these annual earnings figures were far below those obtained by young men and women with some post-secondary schooling. Clearly, the new Boston economy has provided an expanded volume of jobs and increased real earnings opportunities for its well educated young residents. Young men and women with no formal schooling beyond high school have had a more difficult time adjusting to the new structure of jobs and have had difficulties in securing access to the more highly paid jobs in the city. These developments are not, however, unique to the city of Boston. Similar problems have been experienced by young males throughout the nation.

The CLUB Program Design

Given the above employment and earnings problems of young men with limited formal schooling, especially for those Black and Hispanic males residing in higher poverty neighborhoods of Boston, The CLUB Program was designed to provide a fairly comprehensive array of counseling, education, training, and mentoring support services that would bolster the educational and training skills of program participants and improve their real earnings prospects. The CLUB Program recognizes that the employability problems of low income young males in Boston are diverse and complex and that no one single employment or training program intervention by itself will make a major change in their earnings potential.

Eligible participants will be assessed by CLUB program staff and, if accepted into the program, will be provided with a potentially diverse array of services tailored to their individual needs and occupational interests. Academic remediation and GED education services, vocational training, on-the-job training, and post-secondary educational options will be made available to participants over the course of their participation in the program, up to 24 months. To improve chances for their successful completion of such activities,

the employment and training services will be supplemented by CLUB group activities and by the personal support of adult mentors who will be assigned to program participants.

The CLUB is a demonstration effort aimed at determining whether a more comprehensive array of education, employment, and training services can be feasibly provided to participants whether enrollees can be motivated to remain actively engaged in such lengthier interventions, and if the receipt of such services will lead to employment in more highly skilled, higher wage positions in the Boston economy. Lessons learned from the demonstration will hopefully provide a basis for redirecting available resources into more productive channels and contribute to a substantive improvement in the earnings of young men and a strengthening of family life and the social fabric in the city's neighborhoods.

Table 1: Mean Weeks of Employment in 1985 of 20-24 Year Old Males and Females in the U.S., in the 19 Largest Cities in the U.S., and in Boston, by Years of Schooling Completed, March 1985 and Spring 1985

Males

Mean Weeks of Employment in 1984

Years of Schooling Completed	(A) U.S.	(B) 19 Largest Central Cities	(C) Boston
0 - 11	34.7	33.3	36.0
12	42.7	41.4	43.1
13 - 15	39.7	38.6	35.6
16+	44.5	44.4	41.5
All	41.1	40.1	39.8

Females

Mean Weeks of Employment in 1984

Years of Schooling Completed	(A) U.S.	(B) 19 Largest Central Cities	(C) Boston
0 - 11	17.8	16.0	18.0
12	31.6	31.9	32.5
13 - 15	33.7	34.2	32.7
16+	39.2	39.1	38.4
All	31.7	31.8	33.3

Table 3.A Median 1984 Wage and Salary Earnings of Non-Enrolled 20-34 Year Old Men and Women, by Years of Schooling Completed, City of Boston

Years of Schooling Completed	(A) All 20-24 Year Old	(B) Male 20-34 Year Old	(C) Female 20-34 Year Old
1 - 11	2,300	7,500	375
12 or GED	8,730	11,900	7,500
13 - 15	12,325	13,125	12,000
16 or More	17,600	21,730	15,240

Relative Median Wage and Salary Income of 20-34 Year Olds in the City of Boston, by Sex and Years of Schooling Completed, 1984
(Number of Persons as of Winter 1985)

Median Income Comparison	(A) All 20-34 Year Old	(B) Male 20-34 Year Old	(C) Female 20-34 Year Old
High School Graduates/ Dropouts	178.3	158.7	2000.0
Some College/ High School Graduates	141.2	110.3	160.0
College Graduates/ High School Graduates	201.6	182.6	203.2
College Graduates High School Dropouts	765.2	289.7	4064.0

Table 1

Civilian Labor Force Participation and Employment Status of 18-29 Year Old Residents of High Poverty Tracts in the City of Boston, by Sex, Years of School and Race/Ethnic Group Fall 1987/Winter 1988
(N = 592)

	(A) Civilian Labor Force Participation Rate	(B) Employment/ Population Ratio	(C) Unemployment Rate
All	63.2	55.1	12.8
Sex			
o Men	81.2	72.1	11.2
o Women	51.5	44.0	14.6
Educational Attainment			
o Student	51.9	46.6	10.3
o Less than 11 years	54.3	38.4	29.3
o 12 Years	67.4	60.5	10.2
o 13-15 Years	81.6	78.9	3.2
o 16+ Years	100.0	100.0	.0
Race/Ethnic Group			
o White, not Hispanic	67.7	61.6	8.4
o Black, not Hispanic	65.9	57.3	13.4
o Hispanic	53.9	43.7	18.9
o Other	67.9	64.2	5.3

Table 4

Estimated 1987 Annual Earnings of Employed 18-29 Year Old Residents of High Poverty Tracts in the City of Boston, by Years of Schooling Completed
(N = 287)

School Enrollment/ Years of Schooling Completed	Estimated Median Earnings
Students	$ 4,785
Less than 11	6,821
12 Years	9,636
13-15 Years	14,500
16+ Years	26,875
All	$ 9,235

STATEMENT OF JAY OSTROWER, ABCD DOWNTOWN CENTER FOR JOBS, EDUCATION, AND CAREER TRAINING, BOSTON, MA

Mr. OSTROWER. Thank you for allowing us to speak to you today and especially for authorizing the Demonstration Partnership Program.

This allowed us to develop this project which in no way would we have been able to develop without this grant.

Let me give you a little background which relates to the plight and services for young males in the City of Boston.

We identified in our job training system, over the last few years, many problems. Because of Boston's low-unemployment rate we have seen a 60 percent drop over the last five years in our Job Training Partnership Act resources.

The state made up considerable resources through the nationally acclaimed employment training program for welfare recipients. Therefore, what we have seen is a substitution of employment training program resources for traditional Job Training Partnership Act funds.

Of the services provided in the City of Boston right now, 70 percent of those served by the job training system are female. Eighty percent of those now served in skilled training programs are female. Only 20 percent are male.

Given the economic situation and the results that Andy talked about, we do not have the services available in the City of Boston to provide and work on the problem even though there is considerable interest.

We cannot use the Job Training Partnership Act resources to do this. Because of income eligibility requirements, performance requirements and the decline in funding, it has been made almost impossible for us to use whatever resources are available for this population.

In the project we have developed, we developed a partnership with the service delivery area, which is the Mayor's Office of Jobs and Community Services, working with the Boston Housing Authority, skilled training providers and the higher education community.

The project we are developing, as Andy indicated, will provide support and motivation and self-help with mentors through a mechanism called the CLUB. That is the reason for the name of the project. It really will be a club.

It will serve 35 men in the treatment group and 35 in our comparison group. A comparison group will only provide single traditional services as opposed to the full array of services provided in the CLUB project.

They will receive individualized planning and career services. We will develop individual plans for each of the projects.

We are not simply looking to enroll somebody in individual basic skills, GED or skill training programs. We are looking for how to link many of these services over the long term.

So somebody might go in a GED program, followed by a skill training program. Somebody might go into a skill training program and then to an entrepreneurship training program and it might help them start a business.

Somebody may finish a GED and then go on to higher education. We are not looking at the individualized service.

We are looking at the long-term and multiple support we can provide. Not only are we looking at job training as an end result, we are looking at income gains.

We are looking to see how we can maximize income for the participants in the program over a multi-year period.

Not only could we not use the resources of the Job Training Partnership Act, private funds would have been difficult to obtain. We needed a scale of resources to develop the project which we could not have gotten.

We could have gotten grants from a bank for maybe $10,000. That is the way private resources are obtained in the City of Boston.

We needed the kinds of flexible and resources at the scale we are now getting from the grant to be able to do this. Our community services block grant resources are already committed to the basic infrastructure of services in the City of Boston.

In fact, for us to fund the Center for Jobs, Education and Career Training which allows us to use these resources to develop programs, we need a CBO and CAP to develop this project. The links in the community, the flexibility of this program, were key.

The project has been of interest to not only ourselves and to the university and to the people who will participate, but to the agencies we have talked with. The Department of Public Welfare is very interested in the project.

The Mayor's Office of Jobs and Community Services, the SBA is a key part and parcel of this project. We expect to have a lot of interest on the part of state government and city government to see what we can do and what we can achieve.

We are hoping to set up a policy committee of these agencies to look at how these programs can be affected by our results. We want to thank you for allowing us to do this. This is a major need in Boston.

You have been helpful to us in allowing us to get this off the ground.

Mr. KILDEE. Thank you for the testimony.

The largest city in my district is Flint, Michigan, the birthplace of General Motors. We used to produce many, many cars.

We are coming back a bit now. But we have 10.5 percent unemployment, unlike Boston which has much lower unemployment. But I see some things in your program we could possibly replicate.

I can recall when I was in high school, one could graduate on a Sunday and go to work for General Motors on Monday without any additional training in between. Those days are gone now. You really need some training. As a matter of fact, you could quit school on Wednesday and go to work at Buick on Thursday. Those days are gone.

There is probably a lost generation in Flint, Michigan. Right now there is a generation of people between 18 and 26 who have never really had a good job.

The good job in Flint, Michigan, is generally a General Motors job. That is the age group in which very often they would want to

start a family, maybe even start buying a home. I can recall you could start buying a home before you were 25 in Flint.

You can't do that now very well because the jobs aren't there. I think we really need to tailor some programs for that group.

Things are a little different in Boston; there are probably more jobs available for this age group. But there are jobs in Flint that are going begging, too, even where there is high unemployment because there is not always someone to match the skills needed in that job.

I don't travel a lot, but I may come up to Boston to look at the program you have there. We could probably make things work in a city like Flint also.

Joan, you mentioned that some of the HHS regulations limit you somewhat in what you can do.

Are there some specific things you could mention that could be addressed in legislation to make it more flexible for you?

Ms. SINCLAIR. I don't have citations per se. One of the items in the AFDC regulations relates to the application of income to the public assistance budget.

After a work related expense deduction, each dollar that you earn is a dollar that is taken away on the other side of the budget. This budgetary method for income does not allow someone in a self-employment situation, or really any other, to have an ability to build resources in any way, coupled with a very stringent resource limitation that makes it virtually impossible for public assistance folks to develop any sort of resources either for collateral or to directly put into their business.

There are allowances when you compute self-employed income for business related deductions of that income that is applied. But those do not encompass all of the expenses that a small business or self-employed person should have.

I really believe that as far as the regulations are concerned, there needs to be a recognition of an ability to gain resources. I think we are demonstrating a way in which those resources could be sheltered, that would protect it, protect us from simply allowing a person to gain resources and then utilize them.

Let me go through that thought again.

If you were to escrow, for instance, resources and have control of those resources while a business is being developed, if there were a regulation that allowed that, that would protect as opposed to simply allow the gaining of resources that could ultimately be turned into some other, something other than building the business.

There just seems to be a complete dearth of regulations that even accept the fact that some people are trying to go from public assistance to self-sufficiency through self-employment, simply looking at developing regulations that address self-employment at all. There is very little reference to self-employment as a means to being self-sufficient.

I think that at the federal levels, if states were given options and there were regulations that specifically addressed self-employment, states are going to pick up on that and doing so will enable legislation at the state level as well.

Mr. KILDEE. Do you have any problem with the local department of social services counting what they acquire there?

Ms. SINCLAIR. We are doing at this point—I think we are a little bit at risk.

In our situation, under this project I am taking the initiative as a local administrator to interpret certain state regulations in a way that is favorable to the participants, but those regulations which relate to the ability, and they really were intended for such things as trust contracts, and that type of thing, I am very broadly interpreting those. And we are at a bit of risk as to whether or not an auditor is going to agree with us on that one, which means we will pick it all up eventually, local share, but if there were an allowance to that under certain criteria I think it could be replicated more easily.

Mr. KILDEE. Sometimes the left hand doesn't know what the right is doing, or the left hand is pulling in the opposite direction of the right hand. These are one-time funding projects capped at $250,000.

What will you do when the funding cycle is over for your particular program?

Mr. Kinney, yours is a loan type program, do you have a revolving fund? Will you be able to maintain some of that for a period of time?

Mr. KINNEY. I would like to refer that question to Mrs. Lyon.

Mr. KILDEE. Certainly.

Ms. Lyon?

STATEMENT OF VEDA LYON, CENTRAL VERMONT COMMUNITY ACTION COUNCIL

Ms. LYON. Could you repeat the question?

Mr. KILDEE. What was the amount of your grant? Was it close to the $250,000 cap?

Ms. LYON. Two hundred eleven thousand dollars.

Mr. KILDEE. You are loaning some of that money out under the revolving loan fund?

Ms. LYON. Vermont capitalized through the general fund in 1978, a $400,000 loan fund for the purpose of the Job Start Program. So the loan fund has been in existence for 11 years.

What the DPP money did was provide for staff who would give technical assistance to the successful recipients of a loan. The Vermont loan fund since 1978, has, I think, made about 400 loans.

But the problem was that as of 1987, there was still about $212,000 remaining in the loan fund which had never been loaned. And the reason for that was, number one, many people didn't know about the loan fund.

Number two, we did have a fairly good track record of people repaying their loans, which is good for the program. It is considered a high-risk loan and we only experienced about 5 percent loss rate, which is very good.

Mr. KILDEE. What will you do when the demonstration partnership grant runs out?

Ms. LYON. It ended December 31. We are no longer operating the technical assistance program at this time. We have a bank now of about 150 people who are sitting at the state level.

There is one person who runs the loan fund statewide now without the DPP and he is swamped. We are working hard with the variety of resources, including ESW, VOC-REHAB, private lenders, and our state legislature, we hope this year to create some opportunity for continued technical assistance.

Mr. KILDEE. Do you think that, perhaps, because the federal dollars came in and demonstrated that this was a needed project and could work, you might be able to go to the state legislature and get money to continue the program?

Ms. LYON. We hope so, it made a lot of things possible I would not have envisioned. I would not have envisioned having a banker from our section sitting here today.

The program accomplished far more than we thought including pricking the ears of the assembly that is currently meeting in Montpelier.

Mr. KILDEE. Does anybody else want to comment on what they may do or hope to do when their present grant expires?

Ms. SINCLAIR. We have currently received funding from the State Office for the Aging, and from the member item, which is discretionary funding, via our representatives at the state level, for another cycle for over 55.

As you mentioned it, because of the success with the other population, but we are not quite certain after that as to how we are going to manage to continue with the project. We are very interested in a second phase with the current participants and looking at ways in which we can do that and we haven't been able to find a way at this point.

Ms. BRASCH. We have already started applying to United Way for funding. One concern we have, our control group results will not be in by the time we have to apply for funding.

We are looking for private resources. We are anxious to continue the project assuming it is cost-effective, and I think we will have another group that we will be able to show whether it is working or not, whether case management is what we should be doing or short-term intervention.

To look at the families, if they have moved twice, we will know that is a key to working with them. We are looking for funding, because I think we have a lot of data that we are going to want to work with from then on.

Mr. OSTROWER. When we planned the program we expected to look toward the state for resources and continuance on the part of the public welfare. With the budget crisis a year and a half down the road, we will see what happens, but we are still hoping to look for state resources.

In any case, the project is such that even though the program is longer than traditional employment training, it is clearly not long enough, and we need to work with the project over a much longer period of time, and we need more time to see how our evaluation results come out.

So a longer-term project is clearly necessary.

Ms. LYON. One comment on the evaluation component of our program—Jay touched on that as well. In order for us to really look at what differences were made for the people receiving loans, what happens with their income over a period of time, we hope to be successful in finding, through the DPP a means of evaluating over a three- to five-year period, and that was not included as part of the original intent of the legislation.

Yet I think for anything that is going to make a significant difference in self-sufficiency projects, we must have adequate evaluation. I think over the years we have been criticized, and told "Prove it to me."

I emphasize the importance of what Jay said and access to DPP monies to do so.

Mr. KINNEY. I am just a simple loan officer. I kind of take pride that I work mainly with the blue collar workers out there.

It has been a pleasure to be able to work with a specialist who comes in with a completed loan package and says, look what I have got here. I can review it because it is already done, pass it on to my loan company and, hopefully, make an approval.

We are losing that, which is a frustration to me. There are individuals out there, which I have taken a certain amount of pride in giving them jobs through the the Vermont Job Start Program, and they need guidance to continue.

They really do. These loans were given to individuals that were on a low-income scale originally.

They are not used to self-employment, so they really do need continuing guidance. So I hope this won't be lost.

Mr. KILDEE. I think what you are describing here is a program that when it works, and I see some successful cases here, is one that will be attractive to both sides of the aisle. Because I presume, maybe I am stereotyping a bit, the Democrats like to help people and Republicans like to make sure that they have the means to help themselves. And I think this is the type of program that will find some support from those who have maybe just compassion. But we want to make sure they do use the old cliché, "Know how to fish."

I see components that we can sell on both sides of the aisle here.

I think on both sides of the aisle, you find both elements. You get people into a self-sufficiency mode, which is the purpose of the CSBG in the first place, to help people become self-sufficient.

Tom.

Mr. TAUKE. Thank you, Mr. Chairman.

We have heard some very good reports this morning and some good stories about programs that appear to be working. When we have demonstration projects or demonstration grants, the theory is that we try out several things, some won't work, some will work. Those things that work we will take and build upon, not just in the given community, but elsewhere. First of all, are you familiar with any projects that have been started under this program that haven't worked or do we just have all good stories here this morning?

Ms. LYON. I don't know that I can say categorically something didn't work. I do know that we were one of the first five DPP's, and I believe that one in Phoenix, which started at the same time

as ours, was hoping to get a number of waivers through HHS, and they were pinning a great deal of success of their project on those waivers, and the waivers were not forthcoming, and I think they have really struggled.

I know that that was critical and at one time the DPP had hoped there would be waivers.

Joan mentioned the need for waivers and federal assistance to get through the process and make things work. I know the Phoenix project has had some troubles.

Mr. TAUKE. We probably need to ask those administering the program in Washington.

Mr. OSTROWER. The project in Milwaukee has been funded to work for the same population as we are working with, and we are looking forward to working with them and sharing our results and experience to see the results of two different demonstration projects working with the same population.

Mr. TAUKE. Of those that are working, with whom are you sharing the information?

Who gets to look at this project, validate it, determine whether or not it is something we would like to see implemented elsewhere? Who talks to you, in other words, about what you are doing?

Ms. BRASCH. We plan to share with the other key action agencies and with the people in Lincoln, the community-based services that deal with this.

All traditionally have done what we have done, someone comes for emergency food, they give them a handout and food for a week and that is it. It is cost-effective and does help reduce the poverty level, and we hope to get the other agencies to do it, too. We have strong data saying yes.

Mr. TAUKE. Getting that strong data is important. You indicate you will share it with some of the other community-action agencies. Is there a formal process for doing that?

Ms. BRASCH. Hopefully, at the regional and national meetings that will be put in place.

Mr. TAUKE. Is there a mechanism whereby you report back to the people who gave you a grant with some evaluation or do they do an evaluation of it and say this is working, we ought to try this elsewhere?

Ms. LYON. We had an OCS staff assigned person who has worked with us from the very beginning and has been critical to the process of moving us along in both the implementation and the evaluation cycles and he also has provided the kind of oversight to give us the larger picture if you need to be sharing this information. And actually he got us into three different situations where we presented on formal panels for the partnership program.

Mr. TAUKE. Have any of you initiated your grant evaluation?

Ms. LYON. We have finished our primary components, we are in the evaluation process now. We finished December 31.

Mr. TAUKE. How does the evaluation work?

Ms. LYON. Because we had a 10-year loan fund existing prior to our project starting, we knew that we needed to get the information on those loan recipients as a control group so that we could compare it to the people we made loans to last year.

We did 63 loans in 1988. One of the first steps was to take information which was not computerized in 1978 and look at the people who received loans and try to assess where they were now with their businesses, were the businesses still in operation, how many employees did they have, what is the income, those kinds of questions. Then to use that same set of questions to develop data on the 63 loans that were made this past year.

We are about midway through the evaluation process.

Mr. TAUKE. Who decided that that was the method you should use for evaluation, was that a decision that you made?

Ms. LYON. We hired the Center for World Studies, which is affiliated with the University of Vermont. Ninety percent of the time they develop important evaluation kind of activities, so they have been directing the project in tandem with us. We have been working essentially as a unit.

Mr. TAUKE. Are you the one that hired them, that made a decision to do an evaluation or was this required as part of your grant?

Ms. LYON. It is a requirement of the DPP. One of the things we learned through meeting with OCS at the beginning of the grant cycle was what their expectations were.

Mr. TAUKE. So when this evaluation is completed it will go to OCS?

Ms. LYON. Yes, it will.

I wanted to mention, you asked a question about who we are sharing with. We have developed really strong linkages with the Vermont Banking Association.

They are supporting legislation that we are trying to get through both the House and the Senate this year and, also, the Associated Industries of Vermont, which is traditionally a fairly conservative group, has signed on to support our bill so we have developed interesting new partnerships that we didn't predict at the outset.

Ms. SINCLAIR. We haven't completed our project as yet, but we are also in the same position as far as having an independent evaluator working with us throughout the project. Thus far, the completion of our first cycle of participants, we have been working through the association to get information out to other counties within the State of New York.

The Governor's Office, as well as the State Department of Social Services and the Department of Social Services, currently is looking at some legislation proposing some legislation in New York State to create, similar to the Vermont situation, a revolving loan fund and to use some of the information out of our project to develop the technical piece of that. So we have some movement there at the state level.

Mr. OSTROWER. I wanted to indicate that we are one of the relatively new grantees and the OCS staff, because of the previous years of the demonstration, were able to give us help and experience from the previous year. So I think that the continuity of having the OCS staff there and aware of what is going on is crucial for us.

Mr. TAUKE. I am getting the impression you are feeling fairly comfortable about your relationship with the OCS. Maybe I should ask you, is there anybody who is not feeling comfortable with their

relationship with OCS, or are there suggestions about how that relationship could be altered or change to improve the program?

I am not looking for trouble where there isn't any.

This is a little off the subject, but out of curiosity, Ms. Brasch, you referred to the family-risk scale. I was curious about this apparent evaluation mechanism. Is this something new to your agency, is this part of the DPP?

Ms. BRASCH. This is part of the DPP. What we have done is we developed a family-risk scale that looks at for instance, how many times a person has moved within the last year, what percent of their income they are paying for housing.

We took these factors and developed a risk scale and we are interviewing the client that we take food, every client we interview to find out economic indicators and what their risk of homelessness is. We will take that information at the beginning and six months later we will trace the families and find what has happened to them and whether family intervention did work for the group we intervened with.

The risk scale is going to help us allocate and plan resources. Once we find what are the indicators for homelessness we will use those indicators in deciding what families we will see or won't see.

Mr. OSTROWER. There is one thing about the OCS staff that I think we should raise, I think all the projects and the partnership has relevance not only for the CAPs but for the other federal programs as well.

We are disseminating results locally, but I think it needs a formal effort on the part of the OCS and HHS to distribute results to other agencies and to build in that mechanism so it is clearly not simply a demonstration of OCS but a demonstration of how to link with other federal agencies and programs.

Mr. TAUKE. I think that is a good idea. I observe that sometimes we have wonderful things going on at the local level, in various parts of the country, but nobody finds out about it or it is very difficult for us to alter our own programs to reflect the wisdom that we are learning from demonstration projects or things that happen without our assistance. That is why I have been focusing attention on how this information is gathered and disseminated and whether we are doing something that can be replicated on a broader scale.

Thank you, Mr. Chairman.

Mr. KILDEE. In the education area, we have what is called a National Diffusion Network. Maybe in a less formal way that would work here.

The law requires that the Secretary of Health and Human Services gather information pertaining to the grants and the results of the individual projects and make it available to States and other entities as soon as possible, but not later than 90 days after the expiration of the fiscal year for which the grant is made.

Whether or not we have the administration before us we will ask how they intend to do that. Because these projects do work.

You can tailor things differently for each city, but if there have been successful experiences out there, it is helpful to share them.

Mr. Kinney, it has been brought to my attention that 20 some years ago or more, your mother testified before this committee in support of the School Lunch Program. That had to be in the days

of Adam Clayton Powell when Carl Perkins was Chairman of the committee? Do you recall that?

Mr. KINNEY. I know it was very exciting. We still have pictures of her getting on the bus.

Back then it was the bus. She was a cook and she was a thinker, and she looked at the situation out there and said this is ridiculous, what was happening with the lack of hot lunches, and where there were hot lunches it was 50, 60 cents and back then that was a lot of money.

So she organized different schools together, making mass purchases, and buying commodities from individual companies, and, of course, using butter and cheese and crackers provided by the government, and she lowered the cost down to around 25 cents, I believe it was, or 30 cents back then. She was excited over it.

She came down here and, I guess, did the same thing, and came back and she says, I know it is going to work; and it did.

Mr. KILDEE. It has worked very well. Since she testified before this committee, then somewhere in the Archives of the United States, will be her testimony. That is why I always get a little excited about these hearings myself.

This is my 13th year here. We do keep copies of all the records and testimony.

They are kept in the Library of Congress, and in case we aren't able to keep the peace, I hope we will, extra copies of all the Archives of the United States are stored deep in the mountains of Maryland so they would withstand a nuclear attack.

So a thousand years from now historians can read of your mother's testimony and your testimony here today as a part of history.

I come to work every day and still get a little excited about this job. I am part of that history, too.

Let me ask just one other question. What is the role of the local CAPs? Is having an umbrella agency helpful to the coordination of this program in your particular area?

Does anyone want to comment how the local CAA, or what we call the CAPs, played a role in this?

Ms. SINCLAIR. In our particular situation it would have been possible to do the program without a community-based organization and our community action agency was the primary organization that could have done it in our locality.

There was no way in which our department could have conducted this program, particularly since we were half involved in developing it, and supporting it, on the other side we still had our hats on as the keeper of the tax money, and the budgeting people, and we could not have done it without this type of organization.

Ms. LYON. Of course I am going to say no one could do it without the CAPs and that would not be a fair statement from me.

I do want to say that I think that community action agencies, you referred to earlier to our original mission, and that we have been, hopefully, the keeper of the flame in believing that people living in poverty are capable of anything and everything. And so that is a little bit of a rhetoric, but I am a true believer, and so for that reason I think that our organization, a CAP would have had to have been the one to be the catalyst for our particular project. Because as Joan mentioned, there is an assumption that poor

people don't want to take a risk to run a business and are not capable to do so.

So we seem like the national leader of the pack.

Mr. TAUKE. Mr. Chairman, so long as we are noting the historical significance it should be noted that today is the last day of the second century of the U.S. Congress. Tomorrow we will begin the third century and this isn't a bad way for our committee to wrap it up.

Mr. KILDEE. I think you have played a very important role. The Administration, not out of meanness but because of the very tight fiscal budget situation we have had has asked that this program be zeroed out.

I am on both the Budget Committee and the Education and Labor Committee. I think that your presence here today may well have been the element that will save the program.

So it has been very historical; it is very good. I really appreciate your testimony.

You have been very helpful to this committee and we will keep the record open 10 additional days for any extra inclusions for the record.

Thank you, and we will stand adjourned.

[Whereupon, at 11:25 a.m., the hearing adjourned.]

[Additional submissions for the record follow:]

DEPARTMENT OF HEALTH & HUMAN SERVICES

Family Support Administration

Office of Community Services
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

STATEMENT BY

MARY M. EVERT

DIRECTOR

OFFICE OF COMMUNITY SERVICES

FAMILY SUPPORT ADMINISTRATION

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

COMMITTEE ON EDUCATION AND LABOR

MARCH 3, 1989

THE DEMONSTRATION PARTNERSHIP PROGRAM (DPP) OF THE OFFICE OF COMMUNITY SERVICES

Background

Twenty-five years ago, with the passage of the Economic Opportunity Act, a network of over 900 community-based organizations known as "community action agencies" (CAAs) was created to help low-income families and individuals to become, in the words of the statute, "fully self-sufficient." The CAAs, unlike other social welfare agencies, were to focus on the causes, rather than the symptoms, of poverty.

Under the Office of Economic Opportunity (1964-1974), the Community Services Administration (1974-1981) and the Office of Community Services (1981 through the present), the CAAs have been heavily involved in apprising low-income individuals of the benefits and services to which they are entitled, and in helping other federal and state agencies to deliver these services. Although the CAAs receive their core support from the $380 million Community Services Block Grant (CSBG) administered by the Office of Community Services (OCS), the bulk of CAA funding, some $2 billion, derives from other federal agencies.

Over the years the CAAs have helped thousands of low-income persons to become self-supporting. However, the emphasis in most federal programs has been on the provision of cash and in-kind benefits that have tended, in many instances, to reinforce

dependency. To reverse this trend, Congress recently passed the Family Support Act, reflecting a bipartisan consensus on the need for turning a welfare system with a minor work component into a system where the goal is first and foremost to help poor persons become self-supporting. It was in this climate -- the climate of welfare reform -- that the Demonstration Partnership Program (DPP) was born. An applicant for a DPP grant must be a CAA. Through the DPP, CAAs were asked to develop, test and evaluate, in partnership with other local organizations, new approaches for lessening dependency of the poor on welfare programs. The DPP has served as a laboratory for the entire CAA network. No grant exceeded $250,000 and grantees were required to raise from other sources an amount equivalent to the OCS award.

Implementation of the DPP

In fiscal year 1987, 94 CAAs, in partnership with units of state and local governments and private sector organizations, applied for funds under the DPP. Five applicants were awarded two-year grants averaging $250,000 each. Two of the grants were for micro-entrepreneurship projects in rural areas, while the remaining three were for projects testing new approaches to the problem of chronic dependency among female-headed welfare families. A sixth grant was awarded to test new ways of applying the internship concept to the AFDC program in order to help welfare mothers obtain permanent employment.

In fiscal year 1988, 63 CAAs applied and eleven were selected for funding. Two deal with the problem of homelessness -- one aimed at preventing families from becoming homeless and the other addressing the needs of individuals already homeless and who are deemed capable of becoming self-sufficient; four focus on barriers that prevent young males in inner city areas from obtaining employment; two target single-headed families on AFDC; two others deal with the problems of teenaged parents while the remaining project seeks to help poor people become entrepreneurs.

In the current fiscal year, 67 applications were received and are now being reviewed by OCS. The FY 1989 appropriation for the DPP will make it possible to award another 16-17 grants which will bring the total to around 34 grants. It is expected that these awards will be made in early April.

Evaluation and Dissemination of Project Results

The DPP represents the first appearance of a formal research and development component in the Community Services Block Grant. Federal guidelines required the projects to include a strong, third-party evaluation component. Thus, it will be possible to make a scientifically valid determination of what works and is worthy of replication and what does not work. To help grantees develop sound evaluation components, OCS has engaged the services of Macro Systems, Inc. to conduct evaluation workshops and render technical assistance to individual grantees.

Under the statute, the Secretary of HHS is required to "prepare and make available upon request to each State and (community action agency) descriptions of the demonstration programs...and any relevant information developed and results achieved, so as to provide models to other (community action agencies)." (Parentheses added.) Most of the grants run for 24 months, hence there are as yet no proven models ready to be disseminated and replicated elsewhere. The results of the first project to be completed will be available in October 1989.

It is OCS' intent to carefully assess project results, aggressively publicize successful models and provide technical assistance to CAAs who wish to replicate these models. In this effort, OCS will be assisted by its contractor, Macro Systems, Inc.

Reauthorization

The Demonstration Partnership Program was authorized at $5 million for fiscal years 1987, 1988 and 1989. The appropriation for FY 1987 was $1 million; for FY 1988, $2,872,000; and for FY 1989, $3,512,000. Under President Reagan's budget proposal for FY 1990 the DPP would not receive further funding. Under President Bush's proposed budget, the Demonstration Partnership Program is included in the residual freeze category. Therefore, funding for this program is subject to the outcome of negotiations between the Administration and Congress on the whole budget plan.

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STATEMENT OF VEDA LYON
CENTRAL VERMONT COMMUNITY ACTION AGENCY, INC.
TO THE
SUBCOMMITTEE ON HUMAN RESOURCES
OF THE
COMMITTEE ON EDUCATION AND LABOR
UNITED STATES HOUSE OF REPRESENTATIVES
MARCH 3, 1989
REAUTHORIZATION OF THE DEMONSTRATION PARTNERSHIP PROGRAM

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, THANK YOU FOR THE OPPORTUNITY TO MAKE A STATEMENT TO THIS SUBCOMMITTEE ON THE IMPORTANT ISSUE OF THE REAUTHORIZATION OF THE DEMONSTRATION PARTNERSHIP PROGRAM (DPP).

I AM THE EXECUTIVE DIRECTOR OF THE CENTRAL VERMONT COMMUNITY ACTION COUNCIL, INC. (CVCAC) IN BARRE, VERMONT. OUR AGENCY WAS A RECIPIENT OF ONE OF THE FIRST FIVE DPP GRANTS IN FY87. I HAVE SERVED AS THE EXECUTIVE DIRECTOR OF TWO OF VERMONT'S FIVE COMMUNITY ACTION AGENCIES (CAA) AND FIRST WORKED FOR A THIRD VERMONT CAA OVER FOURTEEN YEARS AGO. I CONSIDER THE PAST YEAR'S VERMONT DPP PROJECT TO BE ONE OF THE MOST EFFECTIVE CAA PROGRAMS I HAVE BEEN ASSOCIATED WITH.

THE VERMONT DPP PROJECT WAS BASED ON AN ENTREPRENEURIAL MODEL THAT PROVIDED THE OPPORTUNITY FOR LOW INCOME VERMONTERS TO STRIVE FOR AND ACHIEVE SELF SUFFICIENCY THROUGH THE OWNERSHIP AND MANAGEMENT OF SMALL MICRO BUSINESSES. THE DPP PARTNERSHIP WAS BETWEEN A CONSORTIUM OF VERMONT'S COMMUNITY ACTION AGENCIES AND JOB START, A STATE FUNDED SMALL BUSINESS LOAN FUND TARGETED TO LOW INCOME VERMONTERS. THE CAAS OFFERED STATEWIDE SMALL BUSINESS PLANNING ASSISTANCE TO JOB START LOAN APPLICANTS AND MANAGEMENT ASSISTANCE TO JOB START BUSINESS BORROWERS.

MR CHAIRMAN, IN ORDER TO BETTER UNDERSTAND THE IMPACT OF THE DPP GRANT IN VERMONT, I WOULD LIKE TO PROVIDE SOME BACKGROUND INFORMATION ON VERMONT AND OUR PROJECT.

VERMONT IS CONFRONTED BY THE NATIONAL PARADOX OF GENERAL ECONOMIC GROWTH WITH RISING PER CAPITA INCOMES AND LOWERING UNEMPLOYMENT RATES AT THE SAME TIME POVERTY INDICES SHOW SIGNIFICANT NUMBERS OF NEW FAMILIES, INCLUDING WORKING POOR, ARE NOW ELIGIBLE FOR PUBLIC ASSISTANCE; CONTINUED GENERATIONAL POVERTY; AND POCKETS OF NEED THAT GROW MORE DESPERATE AS HUNGER AND HOMELESSNESS INCREASE.

VERMONT'S RURAL POOR SUFFER FROM A LACK OF EMPLOYMENT OPPORTUNITIES DUE TO THE RAPID DECLINE OF AGRICULTURAL ECONOMIES COMPOUNDED BY A SHORTAGE OF AFFORDABLE HOUSING NEAR NEW JOB GROWTH CENTERS. CONTINUED INCREASES IN WORK RELATED EXPENSES SUCH AS PRIVATE TRANSPORTATION AND CHILD CARE COSTS ALSO ADD TO THE PROBLEM.

A RECENT VERMONT DEPARTMENT OF SOCIAL WELFARE STUDY STATES THAT THE TYPICAL SINGLE PARENT MUST EARN TWICE THE MINIMUM WAGE, OR ABOUT $7.10 PER HOUR IN VERMONT, TO ADEQUATELY SUPPORT THEIR FAMILY WITHOUT PUBLIC ASSISTANCE. UNFORTUNATELY, VERMONT'S LOW EMPLOYMENT RATE IS IN LARGE PART BASED ON NEW LOWER PAYING SERVICE AND RETAIL SECTOR JOBS. AND FEW STATE OR FEDERAL JOB TRAINING PROGRAMS PROVIDE AN ENTRY LEVEL PAY SUFFICIENT FOR ADEQUATE FAMILY SUPPORT.

ONE BRIGHT ASPECT OF VERMONT'S ECONOMY AND THE NATION HAS BEEN THE STEADY JOB CREATION OF MICRO BUSINESSES THAT EMPLOY FEWER THAN TWENTY PEOPLE. BUT MICRO BUSINESSES FACE TWO KEY BARRIERS: ACCESS TO CAPITAL AND ACCESS TO APPROPRIATE BUSINESS PLANNING AND MANAGEMENT ASSISTANCE.

THE RELATIVELY SMALL AMOUNT OF CAPITAL MOST MICRO BUSINESSES NEED TO START UP OR EXPAND IS BENEATH THE THRESHOLD OF CURRENT PRIVATE AND PUBLIC SECTOR FINANCING. BANKS USUALLY DO NOT MAKE COMMERCIAL LOANS FOR LESS THAN $10,000 AND THE U. S. SMALL BUSINESS ADMINISTRATION (SBA) RARELY GUARANTEES LOANS FOR LESS THAN $20,000 IN IT'S 7A PROGRAM. MOST STATE, REGIONAL, AND FEDERAL ECONOMIC DEVELOPMENT LOAN FUNDS ARE SET UP TO SERVE MEDIUM AND LARGER BUSINESS NEEDS AND WHEN SMALLER LOAN AMOUNTS ARE AVAILABLE THEY ARE INEVITABLY USED TO LEVERAGE LARGER START UP OR EXPANSION PACKAGES.

AT THE SAME TIME, VERY LIMITED PUBLIC TECHNICAL ASSISTANCE RESOURCES ARE AVAILABLE. VERMONT'S EXCELLENT SBA FUNDED SMALL BUSINESS DEVELOPMENT CENTERS HAVE A SMALL STATEWIDE STAFF AND THEIR EXPERTISE IS IN HEAVY DEMAND BY ALL SIZE SEGMENTS OF BUSINESS.

VERMONT FIRST ADDRESSED THE ACCESS TO CAPITAL PROBLEM OVER A DECADE AGO, WHEN IN 1978 THE STATE LEGISLATURE ESTABLISHED "JOB START", A $400,000 REVOLVING LOAN FUND TARGETED TO LOW INCOME VERMONTERS WHO WANTED TO START OR EXPAND A SMALL BUSINESS. JOB START HAS ASSISTED OVER 400 BUSINESSES WITH MORE THAN $1.6 MILLION IN FINANCING. THE HIGH RISK LOAN FUND - APPLICANTS MUST PROVE THEY DO NOT HAVE ACCESS TO CONVENTIONAL CREDIT - HAS A 95% PAYBACK RATE. JOB START HAS BOTH CREATED NEW JOBS AND BEEN A VEHICLE FOR LOW INCOME VERMONTERS TO BECOME SELF SUFFICIENT THROUGH SMALL BUSINESS OWNERSHIP.

JOB START'S MAJOR LIMITATION HAS BEEN THAT NO BUSINESS PLANNING TECHNICAL ASSISTANCE WAS PROVIDED TO APPLICANTS AND NO MANAGEMENT ASSISTANCE WAS OFFERED TO LOW INCOME BUSINESS OWNERS AFTER THEIR LOAN.

THE VERMONT CAAS WERE IN A STRONG POSITION TO RECOGNIZE THE NEED FOR TECHNICAL ASSISTANCE AND TO RESPOND TO THE PROGRAMMATIC GAP. THE CAAS HAD BEEN INVOLVED WITH THE JOB START PROGRAM FROM ITS INCEPTION AND PROGRAMMATICALLY LINKED THROUGH THE JOB START REGIONAL ADVISORY BOARDS. THIS HISTORY GAVE THE CAAS A UNIQUE PERSPECTIVE ON MICRO BUSINESS NEEDS AND THE ADDITIONAL PROBLEMS LOW INCOME ENTREPRENEURS ENCOUNTER. THE CAAS ALSO HAD THE ADMINISTRATIVE CAPACITY TO INITIATE AND IMPLEMENT A STATE WIDE PROGRAM BASED ON STRONG LINKS WITH TOWN GOVERNMENTS AND LOCAL SERVICE AGENCIES AS WELL AS SIMILAR LINKS AT THE STATE LEVEL.

YET FOR THREE YEARS, THE CAAS AND JOB START UNSUCCESSFULLY SOUGHT FUNDS FOR TECHNICAL ASSISTANCE.

LIMITED COMMUNITY SERVICE BLOCK GRANT (CSBG) FUNDS, VERMONT CAAS CONTINUE TO STRUGGLE TO MAINTAIN CORE PROGRAM CAPACITY HAVING EXPERIENCED A REDUCTION IN CSBG FUNDS FOR THE LAST TWO YEARS AND PRIOR LEVEL FUNDING, WERE NOT AVAILABLE FOR STATE WIDE TECHNICAL ASSISTANCE.

OTHER EXISTING STATE AND FEDERAL FUNDS FOR LOW INCOME PROGRAMS WERE PRIMARILY FOCUSED ON SERVICE PROVISION AND NOT SELF SUFFICIENCY PROJECTS. IN ANY CASE, THE AMOUNT OF FUNDING NEEDED TO TEST THE

ENTREPRENEURIAL MODEL WAS TOO SUBSTANTIAL TO PIECE TOGETHER FROM EXISTING RESOURCES (VERMONT FY87 DPP GRANT WAS FOR $211,775). ECONOMIC DEVELOPMENT MONIES FROM STATE AND FEDERAL OR PRIVATE SECTOR SOURCES WERE NOT ONLY UNAVAILABLE FOR MICRO BUSINESS PROGRAMS BUT DESPITE JOB START'S PROVEN TRACK RECORD, FEW OUTSIDE THE CAAS RECOGNIZED THE POTENTIAL FOR SUCCESSFUL LOW INCOME ENTREPRENEURS.

INTERESTINGLY, THESE ATTITUDES UNDERWENT SIGNIFICANT CHANGE IN THE SHORT TIMESPAN OF THE ONE YEAR DPP PROJECT.

THE DPP GRANT PROVED TO BE THE ONLY WAY THE VERMONT CAAS COULD DEMONSTRATE THE VIABILITY OF THE ENTREPRENEURIAL MODEL. THE DPP FUNDING WAS UNIQUE IN THAT IT SPECIFICALLY AFFORDED THE RARE OPPORTUNITY TO TEST AN INNOVATIVELY DESIGNED PROGRAM AND HAD SUFFICIENT FUNDING AVAILABLE TO IMPLEMENT, IN OUR CASE, A STATEWIDE PROJECT.

MR CHAIRMAN, I WOULD LIKE TO SHARE WITH YOU AND THE SUBCOMMITTEE THE PRELIMINARY RESULTS OF THE VERMONT DPP PROJECT.

THE POSITIVE IMPACT OF THE VERMONT DPP FOR THE LOW INCOME COMMUNITY IS CLEAR. DURING 1988, THE CORE DPP STAFF YEAR, A GROWING AWARENESS THAT SMALL BUSINESS OWNERSHIP WAS AVAILABLE TO LOW INCOME VERMONTERS WAS INDICATED BY JOB START RECEIVING ALMOST 700 APPLICATION REQUESTS, THREE TIMES THE PREVIOUS YEAR. THE DPP STAFF PROVIDED ASSISTANCE TO 275 APPLICANTS AND OFFERED ASSISTANCE TO THE 150 BUSINESS IN THE JOB START LOAN PORTFOLIO. A QUARTER OF THE APPLICANTS (71 TO DATE - 63 DURING 1988 AND 8 DPP ASSISTED APPLICANTS IN 1989) HAVE RECEIVED OVER $500,000 IN BUSINESS FINANCING TO START OR EXPAND A SMALL BUSINESS. THE PRIOR YEAR WITHOUT TECHNICAL ASSISTANCE, JOB START MADE 26 LOANS FOR $106,800. OUR DPP PROGRAM COST PER APPLICANT WAS AROUND $700.

OF ADDED BENEFIT TO THE LOW INCOME COMMUNITY IS A SIGNIFICANT CHANGE IN ATTITUDE AND FOCUS ON PART OF STATE AGENCIES INCLUDING THE DEPARTMENT OF SOCIAL WELFARE'S (DSW) CURRENT EXPLORATION OF WAYS TO STAGE RECIPIENTS WHO HAVE STARTED SMALL BUSINESSES OFF ASSISTANCE AND DSW'S BEGINNING TO ADDRESS REGULATORY BARRIERS THAT SERVE AS DISINCENTIVES TO RECIPIENTS THAT SEEK SELF SUFFICIENCY THROUGH SMALL BUSINESS OWNERSHIP RATHER THAN THROUGH TRADITIONAL EMPLOYMENT; VERMONT VOCATIONAL REHABILITATION WHICH HAS INSTITUTED AN INTERNAL SMALL BUSINESS DEVELOPMENT PROGRAM IN CONJUNCTION WITH JOB START; AND THE VERMONT AGENCY OF DEVELOPMENT AND COMMUNITY AFFAIRS WHICH IS NOW SUPPORTING THE NEED FOR MICRO BUSINESS TECHNICAL ASSISTANCE.

THE PRIVATE SECTOR FINANCIAL COMMUNITY PROVIDED $89,300 IN BANK LOANS TO JOB START APPLICANTS AFTER DPP BUSINESS PACKAGING DURING 1988; JOB START WAS ABLE TO BORROW $250,000 FROM AN PRIVATE INSURANCE COMPANY FUND AFTER THE STATE'S REVOLVING LOAN FUNDS WERE COMMITTED DURING 1988; AND THAT VERMONT'S BANKING COMMUNITY ARE CURRENTLY EXPLORING WAYS TO PROVIDE LOAN CAPITAL THROUGH JOB START FOR LOW INCOME MICRO BUSINESSES.

THE PRELIMINARY INDICATORS OF BUSINESS SUCCESS AND ACCOMPANYING MOVEMENT TOWARD SELF SUFFICIENCY ARE ALSO POSITIVE. ALTHOUGH THE JOB START HIGH RISK LOAN FUND HAS A LOW FIVE PERCENT LOSS RATE, LOAN REPAYMENT HAS OFTEN BEEN SLOW. OF THE DPP ASSISTED BUSINESSES, 71% ARE CURRENT IN LOAN PAYMENTS AND ANOTHER 10 PERCENT WITHIN A 1-2 PAYMENT CYCLE. THIS IS A SIGNIFICANT IMPROVEMENT OVER PRIOR COLLECTIONS. OF

THE 63 BUSINESSES FINANCED LAST YEAR, 62 ARE STILL OPERATING AND TWELVE HAVE ADDED EMPLOYEES SINCE THEIR LOAN. THE INDIVIDUAL BUSINESS PLANS AND CASH FLOW PROJECTIONS FOR WELFARE RECIPIENTS DEVELOPED BY DPP ASSISTED APPLICANTS STAGE HOUSEHOLDS TOWARD SELF SUFFICIENCY BUT ALREADY SOME HOUSEHOLDS HAVE REDUCED BENEFIT LEVELS AND ONE IS OFF WELFARE.

THE DPP ACTIVITY HAD A CLEAR AND POSITIVE IMPACT ON THE CENTRAL VERMONT COMMUNITY ACTION AGENCY. THE DPP FOCUS ON SELF SUFFICIENCY HAS CONTRIBUTED TO BOARD AND STAFF DISCUSSION RESULTING IN A REFOCUSING ON OUR ORIGINAL CAA MISSION OF WORKING WITHIN THE LARGER COMMUNITY AND INSTITUTIONS WITH THE CLEAR GOAL OF BREAKING THE CYCLE OF POVERTY. CVCAC'S BOARD OF DIRECTORS HAS BEEN REINVIGORATED BY THE PROJECT AND HAVE SPECIFIED THAT THE CONTINUATION OF THE DPP ACTIVITY IS THE NUMBER ONE PRIORITY FOR THE AGENCY IN 1989. THE DPP HAS HAD SIMILAR IMPACTS FOR VERMONT'S OTHER COMMUNITY ACTION AGENCIES.

THE IMPACT ON OUR DPP PARTNER, JOB START, IS EVIDENT IN THEIR EFFORTS TO CONTINUE THE TECHNICAL ASSISTANCE AND TO LINK THE FUND WITH PRIVATE SECTOR FINANCING AS PART OF A BROADER VISION OF THE PROGRAM'S POTENTIAL. JOB START'S COOPERATION WITH THE DPP EVALUATOR HAS CREATED A NEW INTEREST IN ASKING AND ANSWERING QUESTIONS OF PROGRAM EFFECTIVENESS AND DOCUMENTING ACTUAL RESULTS CONCERNING BUSINESS SUCCESS AND BUSINESS OWNER SELF SUFFICIENCY.

THE DPP HAS GIVEN VERMONT'S CAAS AN UNUSUAL OPPORTUNITY TO PROGRAMMATICALLY WORK TOGETHER STATEWIDE WHICH HAS NOT ONLY STRENGTHENED OUR COMMON BOND BUT RAISED IMPORTANT DIALOGUE ABOUT THE MISSION OF OUR PROGRAMS. THE DPP HAS ALSO AFFORDED OUR AGENCY AND OTHER CAAS THE CHANCE TO DEVELOP NEW PRIVATE SECTOR RELATIONSHIPS AND STRENGTHEN THOSE STARTED THROUGH COMMUNITY DEVELOPMENT ACTIVITIES. THE SAME IS TRUE FOR OUR RELATIONSHIPS WITH OTHER STATE AND FEDERAL PROGRAMS.

THE CAAS ROLE OF CATALYST AND OUR PROVISION OF LEADERSHIP THROUGH THE DPP ACTIVITIES HAS NOT ONLY FOCUSED PUBLIC AND PRIVATE SECTOR ATTENTION ON THE NEEDS OF MICRO BUSINESSES AND THE POTENTIAL FOR SELF SUFFICIENCY OF LOW INCOME ENTREPRENEURS BUT AT THE SAME TIME OPENED NEW AVENUES FOR FUTURE PROGRAMMATIC COOPERATIVE EFFORTS.

I WANT TO EMPHASIZE THAT WE SEE THE VERMONT DPP ENTREPRENEURIAL SELF SUFFICIENCY PROGRAM NOT ONLY AS A MODEL THAT CAN BE REPLICATED IN OTHER RURAL AREAS BUT IN URBAN AREAS AS WELL. MAINE AND IOWA HAVE ALREADY ESTABLISHED JOB START PROGRAMS AND WE HAVE WORKED WITH CAAS FROM MISSOURI, MONTANA AND KENTUCKY THAT ARE ESTABLISHING ENTREPRENEURIAL PROGRAMS. RECENT SMALL BUSINESS START UP PROJECTS FOR WOMEN HEAD OF HOUSEHOLDS ON WELFARE IN ST. PAUL, MINNESOTA AND CHICAGO, ILLINOIS ARE DEVELOPING TRACK RECORDS THAT SHOW THE CONCEPT HAS NATIONAL POTENTIAL.

MR. CHAIRMAN, I WOULD LIKE TO COMMENT DIRECTLY ON THE HEALTH AND HUMAN SERVICES/OFFICE OF COMMUNITY SERVICES ADMINISTRATION (HHS/OCS) OF THE DPP.

ONE OF THE MAJOR STRENGTHS OF THE DPP IS THE EMPHASIS ON THE EVALUATION COMPONENT. OCS HAS HELD CONFERENCES FOR FY87 AND FY88 DPP GRANTEES SOON AFTER GRANT ANNOUNCEMENTS THAT HAVE BEEN EXTREMELY

HELPFUL IN DEFINING AND REFINING THE PROJECT EVALUATIONS. THE CONFERENCES ALSO GAVE GRANTEES A BETTER SENSE OF BEING PART OF A NATIONAL PROGRAM TESTING INNOVATIVE PROGRAM DESIGNS FOR LOW INCOME SELF SUFFICIENCY RATHER THAN JUST BEING ISOLATED LOCAL PROJECTS.

THE VERMONT DPP'S OCS PROJECT MANAGER'S CLOSE ATTENTION TO OUR WORK NOT ONLY STRENGTHENED OUR EVALUATION PLAN BUT CONVEYED THE SAME SENSE OF BEING PART OF A NATIONAL PROGRAM.

WE SEE THE CLEAR NEED FOR OCS CAREER FULL-TIME OFFICIALS TO WORK ON A REGULAR BASIS ON THE DPP. THIS WOULD PROVIDE THE OPPORTUNITY FOR EVEN STRONGER OCS ASSISTANCE IN THE EARLY REFINEMENT OF PROJECT EVALUATION PLANS, PROVISION OF LINKAGE, MUCH AS WE LINKED WITH PUBLIC AND PRIVATE SECTOR LOCALLY, TO OTHER FEDERAL PROGRAM AND WITHIN HHS. THERE IS A NEED FOR ADDITIONAL INTERACTION BETWEEN GRANTEES IN SHARING PROGRESS AND EXPERIENCES WOULD FURTHER STRENGTHEN INDIVIDUAL PROJECTS AND CONTINUE TO CONNECT THE PROJECTS TO THE NATIONAL EFFORT TO FIND PROGRAM MODELS OF SELF SUFFICIENCY THAT CAN BE REPLICATED.

I WOULD LIKE TO SHARE WITH YOU ONE SPECIFIC PROBLEM THE VERMONT DPP EXPERIENCED. OUR PROJECT WAS INITIALLY FOR A NINETEEN MONTH PERIOD AND LATER EXTENDED FOR THE FULL 24 MONTHS. BECAUSE OF THE HIGH SMALL BUSINESS FIRST YEAR FAILURE RATES AND THE FACT THAT MICRO BUSINESSES RARELY GENERATE PROFITS DURING START UP, THE ENTREPRENEURIAL MODEL CAN ONLY BE EVALUATED AFTER A MINIMUM ONE YEAR TIME LAPSE. OUR PROGRAM DESIGN WAS TO PROVIDE THE DPP TECHNICAL ASSISTANCE FOR 12 MONTHS AND TO ALLOW MAXIMUM LAPSE TIME FOR EVALUATION TO OBTAIN MORE ACCURATE VIEW OF BUSINESS SUCCESS AND MOVEMENT OF WORKS TOWARD SELF-SUFFICIENCY.

AS I HAVE INDICATED, WE THINK THE PRELIMINARY VERMONT DATA IS VERY POSITIVE. BUT OUR ABILITY TO CONTINUE THE PROGRAM IS BASED ON BEING ABLE TO USE THOSE RESULTS TO RAISE ADDITIONAL FUNDS. WE ARE ACTIVELY PURSUING PUBLIC AND PRIVATE SECTOR FUNDS AND ARE ENCOURAGED THAT RESULTS OF THE DPP ACTIVITY WILL GAIN MONIES TO CONTINUE THE ACTIVITY. HOWEVER THE TECHNICAL ASSISTANCE ENDED DECEMBER 31, 1988 AND WITHOUT BRIDGE FUNDING, WE WILL SOON LOSE KEY STAFF. WE ANTICIPATE THAT OUR DPP PROJECT WILL NOT BE THE ONLY DPP PROJECT TO ENCOUNTER THIS BRIDGE FUND PROBLEM.

SINCE OVER THIRTY PROJECTS WILL HAVE BEEN STARTED AFTER THE FY89 DPP GRANTS, WE SEE THE NEED TO CONSIDER THE QUESTION OF THE LINKAGE BETWEEN INDIVIDUAL DEMONSTRATION PROJECTS AND THE CONTINUED TESTING OF POTENTIAL NATIONAL SELF SUFFICIENCY MODEL PROGRAMS.

THERE ARE SEVERAL WAYS THE DPP PROGRAM MIGHT BE ABLE TO ADDRESS THESE CONCERNS.

ONE, PROVIDE CLARIFICATION THAT OCS CAN ADD ONE FUNDING CYCLE FOR PROJECTS THAT HAVE STRONG POTENTIAL AS NATIONAL PROGRAM MODELS.

TWO, RAISE THE CURRENT $250,000 GRANT CAP, PERHAPS TO $400,000, TO ALLOW PROPOSALS THAT WOULD SPAN TWO FUNDING CYCLES.

THREE, SET ASIDE A PORTION OF FUTURE DPP FUNDS TO FURTHER TEST POTENTIAL MODELS FOR REPLICATION IN OTHER STATES. THIS COULD INCLUDE AN OCS OPTION THAT FOR PURPOSES OF REFINEMENT OF PROGRAM DESIGN AND FURTHER LONGITUDINAL EVALUATION OCS CAN ADD ONE FUNDING CYCLE FOR

PROJECTS WITH STRONG POTENTIAL AS NATIONAL PROGRAM MODELS.

MR CHAIRMAN, IN CONCLUSION, I WANT TO STRONGLY SUPPORT NOT ONLY THE REAUTHORIZATION OF THE DEMONSTRATION PARTNERSHIP PROGRAM BUT AN INCREASE IN GRANT FUNDS.

OUR VERMONT EXPERIENCE AS ONE OF THE FIRST DPP PROJECTS IS THAT NOT ONLY IS THE CONCEPTUAL STRENGTH OF THE DPP AS A TESTING OF SOUND AND INNOVATIVE SELF SUFFICIENT PROGRAM IDEAS OF GREAT BENEFIT BUT THE POSITIVE IMPACT ON THE LIVES OF LOW INCOME VERMONTERS, OUR AGENCY, OTHER VERMONT CAAS, OUR DEMONSTRATION PARTNER AND OTHER STATE AND FEDERAL PROGRAMS AS WELL AS VERMONT'S BUSINESS AND FINANCIAL COMMUNITY ATTEST TO THE UNIQUE POTENTIAL OF THE DPP.

WE FEEL IT IS CRUCIAL FOR OCS TO CONTINUE TO STRENGTHEN NOT ONLY THE POSITIVE OUTCOMES OF THE INDIVIDUAL PROJECTS BUT TO BE DIRECTED TO EXPLORE THE POTENTIAL FOR NEW FEDERAL PROGRAMS BASED ON DPP SELF SUFFICIENCY MODELS FOCUSED ON BREAKING THE CYCLE OF POVERTY.

Testimony to the Committee on Education and Labor,
U.S. House of Representatives,
Sub-Committee on Human Resources

Mr. Theodore Landsmark, Director
Mayor's Office of Jobs and Community Services
Boston, Massachusetts

March 3. 1989

Dear Chairman Kildee and Members of the Committee:

I was very happy to to invited to speak before you in favor of the Demonstration Partnership Program authorized under the Community Services Block Grant.

Action for Boston Community Development, Inc., Boston's Community Action Agency and the Mayor's Office of Jobs and Community Services work very closely together on all employment and training programs in the City of Boston. We are clearly partners in our programs and efforts to provide jobs, skills and basic literacy for the low income citizens of the City.

The CLUB project (Career and Life United in Boston) is a program effort that exemplifies this partnership effort. The project focuses on objectives and/or a group that we in Boston have recognized has been neglected: young African-American and Hispanic males. It is a population neglected in Federal and State programs and largely neglected by us as well. The consequence of this neglect has been major.

Let me explain.

As Job Training Partnership Act resources have declined, because of the low unemployment rate JTPA funds have declined in Massachusetts; a decline of approximately 60% over 5 years. Poverty, has increased during the decade from 16% to 22% presently. We have had declining resources at a time when we could have provided increased opportunity for the poor. The Commonwealth has attempted to make up for the decline in resources through its nationally acclaimed Employment and Training Program for welfare recipients. Although the level of resources has been sustained, the resources have been increasingly targeted on service to welfare recipients who are predominately female. At present our overall employment and training system in the City serves approximately 70% females, and our skill training programs are 80% female. We and others in Massachusetts are recognizing, what we will begin to see nationally, that although it is crucial that we assist the

single parent household in gaining skills and access to the labor market, long term stability will require that we assist both males and females in unique efforts.

The CLUB project, developed by ABCD, begins to demonstrate some techniques for doing this. We could not have developed this project with Job Training Partnership Act funds: income eligibility, performance criteria and particularly the shrinking funding pie would have prevented us from doing so. Other State and federal programs were not available and private funds, at the level needed to develop a viable would not have been forthcoming. Without flexible resources a viable program such as the CLUB would not have been possible.

The program is unique in that it provides for an environment and program in which men are not a minority and in which they can assist each other. The elements of the CLUB are:

- a mechanism for support, motivation and self-help. The CLUB, of which all participants will be members. The CLUB will meet regularly; each member will have a mentor; incentives will be provided for long term participation, and access will be provided to better jobs and educational and training opportunities.

- Services will be tailored to the needs of the individual. A career plan will provided for each member, in a more intensive fashion than available presently. Training and educational opportunities will therefore be tailored to individual needs and goals.

- Services will be provided over a longer term period than most job training programs. The program will make a conscious effort to link programs, for example: combining a high school diploma with skill training, academic preparation and jobs with higher education, skill development with small business start-up. A long term commitment is being made to each individual in the program.

- The commitment is being made not simply to provide access to education, training and a job placement, but to seeing that each individual advances in income and enhances his career potential.

Without the efforts of Action for Boston Community Development and our cooperative partnership the project would not have been possible. The project needed the initiative of a community based

organization, with the know how, long tern staying power and contacts of an ABCD. It is easier to initiate a new program from the base of a community organization than from an agency such as the Mayor's Office of Jobs and Community Services. However, together, we are able to provide the initiative and the resources necessary for the program's implementation.

We are still in the very early stages of the project. We would hope to report to you and to others in Massachusetts the results as they are available. Replication and expanding services and program models for young men is our fundamental desire. This project needs to be a long term effort; we need to make a long term commitment to the project participants, and we need to continue the project for research purposes as well.

As part of the project we will be establishing a policy committee and hope to use this forum to encourage an expansion of services.

We are very grateful to HHS for the opportunity to develop the CLUB project. There are any number of other issues for which we need to develop new local partnership approaches. We need the resources of an expanded demonstration partnership program to do this.

Thank you.

Testimony to the Human Resources Subcommittee
U. S. House of Representatives
Washington, D. C.

Reauthorization of the
Demonstration Partnership Program
Community Services Block Grant

Submitted by:
COMMUNITY ACTION Lexington-Fayette County
P. O. Box 11610
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COMMUNITY ACTION Lexington-Fayette County, a FY 88 Demonstration Partnership Program Grantee, wishes to submit the following written testimony in support of the reauthorization of the program. It is hoped that Congressional review of the impact of DPP will result in the reauthorization of this modest, but very effective approach to encouraging local communities to develop solutions to local social and economic problems.

The Need for the Demonstration Partnership Program

Project Fresh Start, an economic self-sufficiency project for recipients of Aid to Families of Dependent Children, was initiated in October, 1988 as the result of a two year DPP grant. This project could not have been initiated without DPP funding.

Historically, the CAA allocated a portion of its CSA Local Initiative grants (Local Initiative grants were succeeded by CSBG in 1981) for the start-up costs of new and innovative projects within its service area. New projects were initiated with CSA funds and eventually continued from other resources.

Federal reductions in CSBG, Kentucky's reallocation of CSBG and a growing obligation to utilize CSBG to support other federal programs have eliminated any budgetary flexibility within CSGB. The Agency's CSBG allocation has declined from a high of $408,000 in FY 1981 to the current level of $325,000 for FY 1989.

The Purpose of Project Fresh Start

Project Fresh Start is designed to demonstrate that by coordinating community existing resources and developing an intensive case management system, we can assist AFDC recipients in becoming economically and socially self-sufficient. Existing educational, vocational and social services, both private and public at all levels, have been coordinated in a network that can assist participants in every aspect toward becoming self-sufficient. The intensive case management system includes a low case load of participants, more frequent contact and a goal oriented plan of action, developed by both the case manager and the participant.

The Need for Project Fresh Start

Project Fresh Start was developed because Community Action Lexington-Fayette recognized that the conditions of low income people were not improving over the long-term, but in fact a system of dependency was developing among the clients and/or low income people in Lexington-Fayette county. This dependency can be contributed to three (3) conditions:

1. Many low income people tend to live from crisis to crisis,

never having funds to meet the basis needs for survival. In order to meet the needs of the family, family members must routinely seek the services of community agencies, particularly for food, energy and housing. In addition, there is never enough time between crisis to allow an individual to consider a rational approach to resolve the crisis cycle. Once one crisis need is met another develops.

2. There are multi-problems within the family which prevents the family from moving to self-sufficiency. In Lexington, these include the high cost of living, particularly in housing and day care, as compared to the low wage structure. According to recent studies, a single parent of two children requires an ansalary of $14,500 - $18,000 or $7.80 - $8.50 per hour to live in Lexington. At the same time the community is highly service oriented which results in jobs paying an average of $4.00 - $6.00 per hour. When these barriers are combined with low educational and vocational skills and high levels of single headed households on AFDC, the ability to move toward self-sufficiency is difficult, if not impossible.

3. In addition to the above individual factor, there are organizational factors which also hindered individuals from becoming self-sufficient. The majority of the social service agencies in Lexington worked independently to achieve their mission. Many of these agencies did not have the time and/or ability to work toward long-term permanent resolution of system dependency.

Project Fresh Start provides the staff to coordinate the services of a variety of organizations/agencies in a delivery system that can assist the individual in becoming self-sufficient. Because of this, the staff is able to stabilize the survival needs of the participants and help them develop long range goals to self-sufficiency.

<u>The Tentative Project Conclusions</u>

Although our program is only in it's third month of operation, we can make the following subjective statements about "Project Fresh Start".

1. When given the opportunity, most AFDC recipients have a desire to improve their social and economic situation. They are aware of the constraints of public assistance and prefer supporting themselves instead of depending on "hand outs" from social service agencies. They also have a strong desire to make conditions better for their children

2. Becoming self-sufficient is a very long and tedious process.

The process to total self-sufficiency involves complete redirection on the part of participants and the agencies that serve them.

The Anticipated Outcomes

At the end of the project period we anticipate two major results:

1. Approximately 150-175 families will be able to become totally self-sufficient. They will be able to obtain and maintain a salary above survival requisites and be independent of any public assistance. It is our hope that some of the participants will be able to become home owners.

2. Agencies which provide services to the poor will have a better understanding of their mission in relationship to total self-sufficiency.

The Applicability of Other States

Our project is replicable in other states because the core partners in this project can be found in most settings of equivalent size. There are a number of medium metropolitan settings in other states with the same core partners that are present in this project and i.e. Board of Education, JTPA, AFDC office and Community Action agencies.

The CAA's Role in Developing the DPP Project

There is no other organization in the community whose goals encompass those of this project. While there are several organizations which address certain issues involved in economic self-sufficiency (education, training, employability skills, employment development, case management and comprehensive social services) the CAA is the only organization with both prior experience and service delivery capabilities in all of these areas.

In addition to the CAA, the other major partners included in Project Fresh Start, are the Mayor's Office of Employment and Training, the local JTPA sponsor; the Fayette County Public Schools; the Greater Lexington Area Chamber of Commerce; Transylvania University; and Community Ventures Corporation, an economic development corporation. Because of its existing relationships with the other partners, the broad scope of its service delivery activities and the extent of its experience with the target population, the CAA was designated as the lead agency for project development and coordination.

While still relatively new (Project Fresh Start began in October, 1988) the project has already had a significant impact on the programs of the CAA and its partners.

The CAA initiated a review of all of its services, seeking ways to strengthen activities which encourage participants to become self-sufficient. For example, the CAA is presently considering a reorientation of its services to the homeless and intends to allocate a larger portion of its homeless funding to assist participants in acquiring the skills and training necessary for employment.

The Mayor's Office for Employment and Training and the Fayette County Public Schools have accelerated their procedures for applicant intake and skills testing.

Community Ventures Corporation is pursuing several venture opportunities which would generate jobs for AFDC recipients.

Three of the partners --- the CAA, the Mayor's Office for Employment and Training and the Fayette County Public Schools --- have joined with over 25 other community organizations and agencies in a comprehensive planning process to improve the quality and effectiveness of services to low-income families with young children.

Many of these agencies are re-evaluating their policies and procedures in light of our project. Some are focusing more on self-sufficiency and their role in the process as opposed to the past where they viewed only their individual organization's goals and mission. Thus, the mark of success has been broadened to include total self-sufficiency not just completion of a specific program or task.

The CAA is also developing a joint project with the Chamber of Commerce to improve employer participation in the targeted jobs tax credit.

The Importance of CAA in the Project

The CAA has historically been able to mobilize, coordinate and integrate the services within the community to meet the needs of the poor. Our CAA has networked with some 25 local, state, federal, public and private agencies, to implement this project.

The CAA is generally perceived in the community as a caring helper not an enforcer. The services and programs provided by the CAA are designed with flexibility to meet the needs of the low income community. The agency has always worked to keep the low income community aware of new programs and changes in regulations and/or policy of existing program. The clients using the services of the CAA are not degraded because of poverty, but encouraged to take the necessary steps to become self-sufficient.

Continued Funding for Project Fresh Start After DPP Funds Expire

The CAA initiated a process to secure funding to replace DPP funds shortly after the initial grant was awarded. Two modes grants, totaling $4,300, have been received from local sources.

It is hoped that Lexington's corporations will agree to sponsor individual participants in the project after DPP funds are exhausted. A request to the United Way of the Bluegrass is also being considered.

We are confident that the nature of the project lends itself to eventually ensuring continuation funding from the private sector. Our only concern, at present , is that the two year DPP limitation may not provide sufficient time, given the complex and intensive nature of the project, to both demonstrate its effectiveness and raise the needed funds, estimated at $150,000 annually.

The Role of OCS

The role of HHS/OCS was significant in the evaluation component of this project. The outside evaluation team has been very useful as we developed our evaluation design. They assisted us in operationalization of our assumptions and goals. It was very important that a clear set of assumptions and goals, be specific and measurable at the beginning of the project.

In addition, the two day workshop was very helpful to all grantees. It was a good opportunity to discuss strategies and obtain information to avoid the pitfall and problems of earlier grantees.

While HHS/OCS was very helpful in the initial evaluation design, we would have found it very helpful if we continued to receive feedback and imput after submitting our final evaluation. In addition, HHS/OCS should be able to collect and disseminate information about common problems among grantees.

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March 2, 1989

Chairman Kildee
Human Resources Subcommittee
House of Representatives

Dear Congressman Kildee:

I would like to submit the following written testimony on the Reauthorization of the Community Services Block Grant Demonstration Partnership Program.

Southeastern North Dakota Community Action Agency is a current grantee of the DPP. The North Dakota Self Reliance project could not have been developed from our regular CSBG monies, due to an inadquate core of funding. The special DPP grant allowed us to implement and move forward with this unique project concept.

North Dakota has had a significant decline in primary industries. The number of unemployed in the state is two times the national average. The rural nature of the state exacerbates this problem. Partly in response to these situations the North Dakota Community Action Association became a driving force in designing the Self Reliance Program in which there is involvement of both public and private sectors. By coordinating the efforts of the largely non-integrated community wide networks of public assistance programs many of which are also crisis oriented, the causes as well as the symptoms of poverty can be reduced.

The Self Reliance Program utilizes a comprehensive approach to address the many personal, social, financial, educational, employment and career barriers that participants must overcome to make steps toward self-sufficiency. Many of these clients have more and worse problems than anticipated. Given the difficult and multiple issues many of these people face, current reforms and experiments are in jeopardy of being underfunded. Programs with inadequate funding will fail and public opinion will then tend to be that the recipients don't want to work. The North Dakota Self Reliance Project demonstrates that when welfare recipients are given the opportunity, the majority are willing to make the necessary changes to reduce their dependence on public assistance programs. See attached Preliminary Results of the ND Self Reliance Project. As indicated,

[illegible] people help themselves

[illegible] Social Work [illegible] Youth Job Fund Program [illegible] Community [illegible] Development [illegible] Rural Outreach [illegible] Emergency Assistance

the condition of low-income people in our state has improved due to the high level of service being provided by the Self Reliance Project.

Project continuation following the expiration of the DPP funds is currently being evaluated. The ensuing course of action will be based upon determined improvements which need to be made in the project and the funding available to implement those changes. In order to accomplish these project goals and maintain its functioning power, there needs to be increased support from federal, state and local governments.

In conculsion, I do believe in the concept of the Demonstration Partnership Program. With proper funding and committment there can be a significant impact on the reduction of the causes and symptoms of poverty.

Sincerely,

James Kappel.
Executive Director

JK/wh

NORTH DAKOTA SELF RELIANCE PROGRAM

I. Definitions

A. Experimental Group:

Self Reliance Clients

B. Control Group:

Non Self Reliance Clients who Are Receiving Social Services

A stratified random design was utilized to match the control group with the experimental group on the variables of location in the state, marital status, employment status and gender.

C. Level of Immersion:

Immersion in entitlement and welfare programs of Self Reliance clients and the control group was measured by assigning a value of 4 to each program (AFDC, housing assistance, medical assistance, etc.) currently enrolled in. A value of 1 was assigned to each program received during the past six months and a value of 1 to each program received during the past twelve months.

This measure gives greatest weight to currently receiving benefits, but also recognizes longer term involvement in programs; level of immersion is not a measure of the number of dollars received in AFDC or Medical Assistance, but rather a measure of immersion in entitlement programs.

II. Preliminary Results From Six Month Follow-up Data

A. Immersion in entitlement programs is decreasing more for participants in the Self Reliance Program (i.e. experimental group) than for the control group.

The level of immersion at six months was, on the average, 18.89% lower than level at intake, and 18.14% lower than the level of immersion for the comparison group.

B. In the experimental group, the level of immersion in entitlement programs was higher for clients with more children. The greatest level of change in level of immersion occurred with those clients without children.

C. The control group was more likely to be living with a spouse than the experimental group, both at the initial intake and at the six month follow-up.

D. Immersion in programs was highest among the youngest individuals. The level of immersion of the experimental group, however, did drop across all age groups at both intake and at six month follow-up.

E. The experimental subjects with the largest decrease in level of immersion between the intake and the six month follow-up were those that had a moderate magnitude, versus a very high or a very low magnitude, of level of immersion at the initial intake.